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Vol. III

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1940

No. 330

OPP COTTON MILLS, INC., ET AL., PETITIONERS,

vs.

ADMINISTRATOR OF THE WAGE AND HOUR DIVISION OF THE DEPARTMENT OF LABOR

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED AUGUST 12, 1940.

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TESTIMONY

Volume III

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Respondent.

Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Fifth Circuit

INDEX

	Page
Abt, John	707
Adamson, W. M.	1301
Ames, J. F.	1381
Andrews, Elmer F.	821
Arnold, Harold D.	641
Arnold, R. O.	1021
Baldonzi, George	657
Barringer, L. T.	1675
Battle, Hyman L.	553
Bell, W. Ray	1030
Berry, John	987
Beswick, William	1661
Bowen, L. E.	1619
Bryan, M. M.	1429
Burow, H. C.	929
Cannon, Charles A.	883
Chastain, Gordon L.	735
Christopher, Paul R.	771
Comer, Donald	963
Craven, I. F.	947

	PAGE
Crocker, Paul E.	585
Dixon, Frank M.	1055
Dodge, Witherspoon	806
Dyer, Gus W.	1063
Entwistle, W. H.	915
Estes, Elmer	748
Ferguson, A. H.	627
Fisher, Russell T.	520
Graham, Frank Porter	755
Griffin, Walter A.	519
Hamilton, Mary Pearce	1013
Harrington, James P.	594
Hatch, M. L.	613
Jennings, Ray	1157
Jennings, L. C.	1189
Johansen, P. H.	1149
Johnson, L. James	743
Jones H. M.	951
Kimberly, L. O., Jr.	1109
Kimble, Frank M.	625
Lewis, K. P.	827
Lubin, Isadore	391

INDEX (Continued)

	PAGE
Lynch, Francis	1413
McCann, James H.	647
McKelvey, Gordon W.	1563
McMillan, E. J.	1199
Mager, Mrs. Margaret	1467
Manley, John W.	515
Miller, Clarence R.	1435
Mizell, C. W.	1387
Moorehead, William A.	505
Morley, Louis R.	581
Morris, E. H.	1401
Nixon, Herman Clarence	711
Orr, M. P.	1007
Perlman, Jacob	393
Phelan, Eugene F.	683
Pollard, John W.	727
Powel, Samuel	575
Redmond, Paul A.	1635
Rivers, A. B.	1028
Sanders, R. D.	1565
Schenck, John F.	939

INDEX (Continued)

	PAGE
Sheppard, C. C.	1233
Shiskin, Boris	703, 753, 817
Sirriene, J. E.	1159
Spencer, Terrell	1617
Stall, Earl R.	993
Stokes, Davis	1029
Thomas, B. F.	788
Tolles, Newman Arnold	397
West, Robert R.	1084
White, Hugh	1041
Youngblood, John R.	924

TESTIMONY OF PROF. HERMAN CLARENCE NIXON

(995)

(Note: This witness was put on the stand by the Committee and his testimony is inserted in Petitioner's appendix, not with the view of adopting it, but because it is quoted in the brief)

Said witness testified as follows; (1000)

Because the South after all has developed a textile industry particularly in [illegible] of the South, where we had business as early as the sixties, 1860's, before and after, and with an expansion into the Southern fringe, we do find a tendency to use cheap labor in order to get business that might better go to a better developed Southern industrial area. We cannot spread the textile industry all over the United States, there are not enough consumers. We have to bear that in mind.

So that the presence of small marginal mills in the South, if reduced in numbers, would have no appreciable effect on the Southern economy?

No. It might immediately displace a few fellows in small towns, new towns, backward towns, say, in Mississippi, but cheap labor goods coming out of Mississippi may gum up the industrial picture just as much as cheap labor goods from Japan or any other foreign country. . . . (1001)

By that you mean there is no labor legislation of any sort in Mississippi?

Very little; and none in connection with this inducement to capital to come in from the outside and establish

those plants in the state of Mississippi. There are no labor provision in that statute.

From a social point of view what is harmful in that, Mr. Nixon?

It wrecks the purchasing power in the Southern town that is paying something approximating a living wage. It disrupts the purchasing power that sustains the merchant. . . . (1002)

. . . There is more evidence on that subject of these particularly cheap labor establishments in a pamphlet by Tom Stokes, a native of Atlanta, a graduate of the University of Georgia, which has been published in the little pamphlet called "Carpet Baggers of Industry". That is the kind of carpet bagger that as a Southerner I don't altogether like.

These carpet baggers are in some cases brought from the North, is that true?

We have some Southern varieties. . . . (1013)

. . . It is very difficult to draw the line between obsolescence and modernization. The fact is, if you overmodernize, you don't get enough out of the plant to make it (1014) a paying proposition, and if you don't modernize, you will get to the point where you are unable to compete with those who have modernized their plants. It seems to me that the majority report has taken that into general consideration in approaching the problems, and incidentally, the marginal mill or two, if they go out of existence, that may be a good thing for the industry as a whole, for the labor picture as a whole, for the country as a region. The South is

not going to gain by robbing the North, even though the North has robbed the south in times past. We have got to quit this robbing business. . . .

There would be some curtailment. I defy anybody to prophesy it accurately. We can't write history in advance, neither technical men nor labor men nor historians like myself. The future is not written now. . . . (1015) That is my opinion on that point that we will have some curtailment here and there, temporarily, but the curtailment will be in the lower brackets. I suppose that the average for curtailment in the lower bracket is not going to be very great. Because, in the first place, we have a few hundred thousand, more or less, up against it in those lower brackets now for unemployment relief. . . .

No, I am referring to the whole unemployment question in the South, and I say that by adding five or six thousand to it temporarily would not make any great difference in the total social picture of the situation. It would cover the conditions in the South as a whole, that is what I am referring to, and it would create, indirectly, additional unemployment, which in a short time would absorb any unskilled labor or any low-skilled labor that would result from this displacement of labor from a few of these marginal mills, or the displacement of men in a higher paid bracket. . . . (1020)

What would you say about the result of the adoption of the 32½ cent wage minimum, not on the cotton textile industry in the South alone, but as a whole, what effect do you think that would have upon the employment situation in the textile industry, the cotton-textile industry throughout the United States?

It would reduce the total employment in the long run, north or south. . . .

You stated that in your opinion, that five or (1021) six thousand employees in the textile industry, in the marginal mills in the South would lose their jobs as a result of this minimum wage being established?

Yes sir, and I put that estimate as an outside estimate. . . .

If that is a fact, does it not also follow that the production of this five or six thousand workers thrown out of jobs in the South would be transferred to other mills, either North or South?

To other mills, or other employment. Some of them would be unskilled—

No, I am not now referring to the workers. Let's assume that the workers are thrown out of jobs. I am asking you if the production which those five or six thousand (1022) workers formerly produced, would it not be immediately produced by some five or six thousand other workers in some other mills that did not close down by virtue of this 32½ cent minimum wage rate being adopted? . . .

Has there been very much migration of the cotton textile industry from the North in the last five years?

I wouldn't say so much in the last five years, there has been quite a migration in the total period since the World War. There has been some migration in the last five years, some purchase of Southern Mills ,or integration.

Would it be your opinion, then, that much of (1023) the cotton textile industry that has migrated down south here has left very little of the cotton textile industry in the North?

It has still left quite a bit, particularly those that use very skilled labor, for the higher processes.

Would you say the problem of migration within the South, of the cotton textile industry would be a very serious problem, particularly as to the volume of work rather than the movement of the mills themselves?

I would say that it may be serious and that it can be. I am disturbed about Mississippi and Oklahoma coming into the picture.

You mean to say that the most serious problem in the South is a problem that is within the South?

From the point of view of competition, I would say that that is a part of it.

And part of the cause of the inter-Southern cotton textile competition is based on the efforts of certain regions in the South to pay lower wages than are current in other sections of the South?

I would say lower wages, and there are also some tax exemptions put into effect that may have something to do with it, and not only low wages, but no regulation of wages. (1024)

Would you say that the most serious competitive problem within the cotton textile industry in the South is competition from mills in new cotton textile areas in the South?

The competition is not so much between one region and another, but between the general situation, and that we have realized. . . . (1026)

Do you know whether any other forms of privileges are granted to the textile mills for moving into these new localities in some areas?

Well, the labor problem has been used as an inducement to get mills to move into a new area, by referring (1027) to the docile Anglo-Saxon labor. . . .

Do you know of areas where buildings are granted to manufacturing companies as inducements to come to these new localities?

I know that Mississippi has a system for putting up the building through the issuance of bonds through the governing body of the town or county, and that authority to turn this over without a vote of the people exists, for such municipality to turn over such building as an inducement to bring in a mill for subsequent operation in the building. . . . (1037)

In the case of that type of mill, Professor Nixon, that has perhaps consumed all of its reserves, has been making no profits for several years, where, in your opinion, could such a mill obtain funds to enable it to put on such (1038) a modernization program as might be required under this program of raising wages?

Well, I know one mill that had an opportunity to get an RFC Loan, and didn't get it, and also, we have arrangements for loans for small businesses, if you are talking about a small mill.

Is it your opinion, then, that such marginal mills would be able to obtain money from the RFC for modernization purposes?

Some of them might not, and should not.

In the case of that type of mill, Professor Nixon, why—what would they use for security?

Well, they would have to do—they would have to use their assets for security, and if they have no assets, they wouldn't have any.

In the case of that type of mill, the facilities of the RFC would not be available?

No, not unless the big stockholders, or the stockholders, the big stockholders, if there were any, unless they combined to put in, to chip in themselves, and they could possibly work it out that way. . . . . (1039)

Along the same lines, do you have information as to what it would cost the Southern mill operators in the form of increased manufacturing costs?

My estimate is somewhat briefly made, I will say, but it is that the better located mills in the South, the better organized mills would not have any great difficulty on that point at all.

But as to the industry as a whole in the South, what would be your opinion?

There would be a necessity for some readjustment, and there is no doubt about that.

Would you say that that readjustment would be more or less severe in the South than in the North?

It would be a little more severe in parts of the South.

So, then, to that extent, it does become a sectional (1040) question?

It is a geographical question, to some extent, South versus South, or South versus North, but it may be South versus South. . . . (1043)

I read you here from a bulletin 663 of the United States Department of Labor, Bureau of Labor Statistics prepared by Mr. A. F. Heinrichs. Then I will ask you a question as to the conclusions there reached:

> "Southern cotton wages are low relatively to the Northern cotton wages. But it does not follow from this that wages in the Southern branch of the cotton textile industry are also low relative to prevailing wages in other Southern industries.
>
> "The Southern industry has been growing, and indeed constitutes the backbone of the Southern manufacturing economy. A comparison with other industries indicates that the cotton textile industry in the South occupies a more intermediate position in the general wage economy than in the North."

Would you agree with that statement?

Well, I would hate to deny it since he has made a study of it, and I have not.

Do you have information as to the comparative wages paid by the cotton textile industry in the South and wages paid to Southern farm laborers?

Oh, there is no comparison.

What do you mean by that, Professor Nixon? (1044)

The Southern farm wages have been distressingly low for many years. That is the fly in the ointment.

Professor Nixon, do you have any information as to whether the cotton textile industry is or is not now a profitable industry?

It has been sick.

Is it still sick?

It is not quite well. . . . (1051)

I didn't answer it because it is a hypothetical question and I didn't want to assume the correctness of it as a fact, since you asked it as a hypothetical question.

But even then it conceivably might still be the best thing. If a Mississippi mill cannot pay a minimum wage and an Atlanta mill can, it is better for the Atlanta mill to survive than the Mississippi mill to survive, it is better for the South, and in the long run better for Mississippi, although that community may temporarily suffer and you will hear from leaders of that community, but taking (1052) the South as a whole, healthy production under the best conditions is good for labor and good for industry and good for society. . . . (1054)

In the case of a small mill located in a small town in Mississippi or Alabama, Professor Nixon, employing, we will say, two or three hundred employees, and paying the 25 cent

wage minimum now, paying the 30 cent minimum in October, would you think those employees would be better or worse off working in that mill than they would on the relief rolls?

Drawing a wall around that community, I would say that they would be better off working in the mill. You notice I say drawing a wall around the community, and not assuming any interchange or changes as a result of the region or sub-region.

Do you have any opinion as to whether the cotton-textile industry of Alabama favors or opposes this 32½ cent minimum? (1055)

I understand they are against it. . . . (1068)

My idea is that there would be at least for a time certainly a net reduction, small reduction in the textile industry, which would be offset by an increased employment in the general region which would offset the unemployment generated by the adjustment or change. . . .

And it would bring at least a temporary unemployment of a few thousand, particularly in marginal mills.

Do you care to express an opinion as to what "Substantial unemployment" is?

Well, I would not consider that substantial in the light of the total textile employees. (1069)

You mean the 600,000 that were included within the administrative order?

Yes, I would say a few thousand out of 600,000 would not be substantial.

It would be substantial in these various communities?

Yes, it would be substantial in a one mill community.

Yes, sir.

Certainly, there is no question about that. . . . (1077)

Give us your best estimate as to how many you would think would survive a classification and not be marginal mills?

I would make a guess that half of them would not survive. I think you are on the fringe of the other textile region down in Mississippi.

Do you know whether the mills in Mississippi are located in rural communities or in cities?

Well, almost—if you get in Mississippi outside of two or three cities, you almost have to be in rural communities. Some of the mills are in small towns or near them. (1078)

Do you know any mill in Mississippi that is in what you might call a city?

No.

As a matter of fact, every mill in Mississippi with one exception is in a town of 10,000 people or less, is it not, Professor Nixon? . . . (1079)

Repeating that question, isn't it a fact that the problem of textiles, as far as it applies to Mississippi, is a problem of industries in small towns?

Yes, that is true, I have noticed that.

Now, I will ask you if it is not a fact that if this 32½ cent wage minimum rate goes into effect, it would wipe out all of the cotton mills in Mississippi, that is that none of them would be able to survive this increase in the minimum?

I would not say that. But then I am open.

If that be a fact, it is your idea that the marginal mills ought to go out in the interest of the whole, isn't it, Professor?

Yes, with an over capacity already in the South and in the region, and in the nation, as I said.

If it be true then that all of the Mississippi mills are what you would classify as marginal mills, it is your opinion that Mississippi should be wiped off the map as an embryonic textile state in the interest of the march of evolution, that is your idea about it, isn't it?

Well, I would not like to mark Mississippi off the map for the purpose of evolution. I think you have had down in Mississippi a lot of argument against evolution, but I do think that Mississippi should exercise some discretion in planning her industries, and not try to use (1080) Mississippi cheap labor for serious competition with the healthy portions of an industry that is sick enough without taking on sickness in Mississippi. I think there are other ways of Mississippi balancing her economy.

Of course you refer to Mississippi's program of balancing agriculture with industry?

Yes.

I will ask you if you know of any cotton mill that has moved into Mississippi within the past five years from any other state?

No, I don't know of any. I know other plants have come, but not cotton mills.

You have spoken disparagingly of granting tax exemptions. I will ask you if it is not a fact that all of the cotton mills existing in Mississippi have existed 25 years or more?

I don't know that.

Assuming that that is true, and that these industries are located in small towns, and in most cases are the chief means of livelihood of the town, and that they are locally owned and employ local labor, and operate satisfactorily from a local standpoint, is it still your opinion if they cannot pay this minimum wage of 32½ cents that in the interest of the whole, they ought to go out of existence? (1081)

Yes. I am not saying that they will go out, but I am answering a hypothetical question.

Assuming that to be true. Then you would have these various communities and the state of Mississippi as a whole paying the penalty of not being able to meet these wages by wiping out the industries which form the chief basis of the support of those various communities, and you think that is a good thing in the interest of the whole, do you?

Yes, but I do not accept your assumption about wiping out these towns, about wiping out these industries. I say that Mississippi would certainly find something else to do if the rest of the textile South were profitable. If the rest of the

South had purchasing power, Mississippi would find other ways of improving her economy, because of that fact. . . . (1082)

. . . My candid opinion is that they might move from Mississippi or else we might put Mississippi on relief rather than have Mississippi gum up the industrial picture with low labor standards and low labor conditions. But I don't say that would happen. If the industrial South stabilizes (1083) itself, we would buy something from Mississippi.

If you draw a barrier around the state and consume all of your cotton production in the state of Mississippi, then I would say go on with your Mississippi standards, in whatever way you like. But you have a national economy, and we should consider the national economy which after all, if it prospers, the South prospers, and Mississippi prospers, and the biggest trouble you have had in Mississippi has been the depression in New Orleans, New York, Chicago and other places in which you carry on business. . . . (1084)

But you cannot name any cotton mill in Mississippi that can provide this increase in minimum wage, as far as you know, can you, Professor?

No, I cannot name any that I would guarantee would survive.

And if they cannot survive it, it is just one of those things that happens in the process of evolution, and you think it ought to happen, don't you, Professor?

Well, you have to take the bitter with the sweet. I hope it won't happen, but I still say that it will be better for the industry as a whole, in the nation, and in (1085) the South, if it has to happen, not granting definitely it will happen.

What is the sweet as far as that particular community is concerned, though?

You might get some bitter for awhile.

If it was true that Mississippi is 85 per cent agricultural, and the Wages & Hours law does not apply to agricultural employees, as a matter of fact there will be curtailment of employment in Mississippi, and will be a peculiar hardship worked on that particular community by this blanket increase, will there not?

Unless and until other economic adjustments can be made, and as a matter of fact they should be made right there in Mississippi—Mississippi needs more community enterprises, more canneries, more small packing plants for some of their own local products so the state can eat some of their products in the wintertime and not eat it all at once, and not have too full stomachs one time and not full enough another, a lot of things like that, Mississippi could be and should be better off, instead of competing with disadvantages of all kinds as to labor, and enforce a low labor scale against the rest of the South as seems to be the point.

I can say the same thing regardless of Mississippi about other regions or other communities on the fringe of (1086) the low industrial picture. We should be very careful in encouraging a new industry, or the continuation of a marginal plant right on the fringe in the times when we have over capacity.

As a matter of fact, Mississippi does produce enough percentage of the cotton crop of the nation to entitle it to some peculiar claim to the right to manufacure that for consumption, don't you think, Professor?

No, you are not entitled to any of your own crop to manufacture for consumption if the other fellow can beat you a whole lot doing it. Atlanta could not raise cotton. Suppose Atlanta had to raise all of the raw material. We do have to have raw material regions, we do have to have agricultural regions in this country, and we cannot industrialize the whole agricultural scene, we cannot agriculturalize the whole industrial scene, we must pay some attention to letting industry develop where the natural advantages exist.

I think that is the old law of economics that people used to talk about when they talked about economic laws. . . . (1087)

Will you tell me why in your opening statement, and maybe a dozen times afterwards you have referred to Mississippi as the final glaring example of the textile industry that could not survive and ought not to survive?

Well, it made a good example. It does not have (1088) many cotton mills, as you and I both have said. And it has been or it is a low wage state. It is a state with limited state regulations of labor and labor conditions. Those facts have stood out in headlines, and just made a good illustration, and I might say the same thing about some others.

Now, Professor, wouldn't you say it to be a fact, if you have ever been in a cotton mill town in Mississippi, that the people working in those mills and receiving the wages they are now receiving, and living in a rural community, and on small farms, its standard of living is now as high as the standard of living of any textile workers in the United States?

I wouldn't say that.

Had you ever been in a cotton mill town in Mississippi?

No. I have been in Mississippi towns. . . .

JOHN W. POLLARD.

Direct Examination.

By Mr. Shishkin:

Q. What is your name?

A. John W. Pollard.

Q. What is your official position with the union, Mr. Pollard?

A. Vice-president of the United Textile Workers of America.

Q. How long have you occupied that position?

A. Since the last convention, in May of this year.

Q. How long have you been associated with the labor movement?

A. About six years.

Q. In what capacities?

A. In various capacities, as local union committeeman and in other capacities in the State organizations and in the National organizations.

Q. Has that been in the textile industry?

A. Yes, sir.

Q. Have you worked in the mill yourself?

A. Yes, sir.

Q. Whereabouts?

A. In Spartanburg, South Carolina.

Q. Have you lived in the South for any length of time?

A. All my life.

Q. Have you ever spent any length of time anywhere, other than in the South?

A. I have spent quite a little time in other sections, have had the occasion of going up North, in New Jersey, on several occasions, on union work.

Q. Have you been in contact with textile workers in other parts of the country?

A. Yes, sir.

Q. In what occupations have you been employed in the textile industry, Mr. Pollard?

A. Well, I went to work when I was fourteen years of age, in the mill, and the usual way, when you first go to work in the mill, is to do some unskilled work, like sweeping, and I was a sweeper, and I spent the usual length of time sweeping, and I did various jobs in practically every department in the mill—I worked in the spinning department and in the roller department for some ten or eleven years.

Q. In what departments?

A. In the spinning and in the rolling departments.

Q. For how long?

A. For ten or eleven years,—up to 1936.

Q. Do you have a general statement to make, Mr. Pollard?

A. Yes, and I would like to read it.

Q. Very well, proceed.

A. I am here today representing the United Textile Workers of America, affiliated with the American Federation of Labor. I am here with others to place the entire support of my International Union behind the 32½ cents hourly minimum wage that has been recommended by the majority of the textile committee. I am here to state with absolute conviction that the establishment of this minimum will be of material and lasting benefit to the industry, the employers, the workers, and to business and the public in general.

As a textile worker, I have all my life been acquainted with the problems of my fellow-crafstmen. As a union man for the past six years, I have been to some degree associated with some of the problems with which the industry as a whole is confronted.

To my humble mind, the main issue demanding solution in our industry today is the savage system of com-

petition being waged among the various mills and chains of mills. This competition—this mad scramble for every inch of advantage over one's competitor—has long since broken through the bounds of reason, and the law of the fist and skull, instead of being the exception as of old, is now the order of the day. Whether or not he wills it, every employer is drawn into this system, to the end that the industry is being ravaged from stem to stern, its stability destroyed, its workers kept in virtual servitude, thereby bringing injury to business and the entire nation.

The employers themselves are becoming increasingly cognizant of this great problem. They are at last waking up to the fact that the chiselers have unwittingly dragged the whole industry to the brink of economic and social chaos. But every effort of their associations to curb this evil has been pitifully ineffectual, and the danger has now reached a point beyond their control.

Together with local union committees, I have met with a number of employers whom I consider outstanding in the textile field. During the course of our discussions, these employers would invariably state, "You know, I cannot understand why the union wants to pick on me. My record proves that I am a fair boss, as bosses go. I want to do the square thing by the men in my plant, but I cannot do all that I would like to for them because of some of my competitors. Why don't you union boys go out and get those chiselers? They're the ones you should work on". Where is the union committeeman who has not heard words to this effect from his employer?

The answer to this question is the establishment of the single minimum hourly wage. It will bring the chiselers into line with the well-intentioned employers, and it will not give a certain geographical section of the nation any advantage over another. It will serve to place free and

open competition once again within the bounds of sanity, and will thereby bring some measure of stability to the industry.

I have read with consuming interest the newspaper accounts of those movements now on foot whose purpose is to press for the establishment of wage differentials between the North and the South. I have read repeatedly where the omission of such differentials will inevitably spell further hardship to the Southern industry and to business, and will throw thousands of employees out of work.

In their statements to the press, the proponents of wage differentials have omitted certain facts which are vital to the situation. These facts pertain to the technological development of the industry, with the unemployment resulting therefrom, the problems of freight rates, and the cost of living in the South.

Since the World War, and especially during the past decade, the Southern industry has been speeding up production enormously, and cutting expenses through the installation of long draft machinery and the stretch-out. Entire processes have been completely eliminated, and others have been drastically altered so that fewer employees will be required. This saving in labor costs has caused mass unemployment and much dissatisfaction. It has kept wages depressed, working conditions unsatisfactory, and has resulted in an unusual amount of labor trouble and misunderstanding. A conservative estimate of the number thrown out of work during the past ten years would, I think, be one employee out of four. Most of these affected employees were not even accorded a preferential status by their employers. They were simply thrown off their jobs, out of their homes, and into the streets, to make ends meet as best they could in an industry already overflowing with labor.

This program of machinery improvement and job-elimination is continuing. It is now a permanent part of the

policy of the majority of Southern mills. At the present time, there are but a few plants which are not making changes in some department that will cut hands out.

We have yet to hear any method of solution, or any publicity whatever, from the proponents of wage differentials relative to technological unemployment in textiles, and we expected none from that quarter in the future. This unemployment was done in the holy name of progress, and those of us who propounded in favor of the preferential status for the unemployed were ridiculed by many. But can you picture our reaction when those who ridiculed us—those who have proven a lack of concern over this great problem in the past—have suddenly taken great alarm over their own fancied predictions that the fixing of a single national minimum wage will cause widespread unemployment?

It is my positive conviction that the omission of geographical wage-differences will not throw any substantial number of people out of work. Unemployment in textiles will continue to mount, of course, but this will be due to further machinery changes and to increased workload, and not, as many would have us believe, to any hardship brought about by the setting of one national minimum hourly wage.

Another serious problem which has served to depress the lives of the workers is caused by the alleged discriminatory freight rates imposed on the South. I agree in any given locality or region where the freight rates are discriminatory, emphatically that there should be an equalization of these rates, and my organization will pledge its full support to every reasonable effort to accomplish this purpose. But the Southern textile workers, in receiving less wages than their fellow craftsmen in other sections, have borne far more than their rightful share of the brunt of any differences in freight rates, and have borne them entirely too long. In fairness to all,

where such conditions obtain, their part of this load should be divided among others. They never will be satisfied with any agency that forces them to carry burdens like this on and on; and neither will they be content with the flimsy explanation for wage-differences being caused by their inferior ability as workmen.

Another question which is as old as Southern industry itself is the theory that it cost much less to live in the South than in the North. This depends solely on the manner in which we interpret the word "live". If by "live" is meant merely to exist, then there is a little substance to this theory. The absolute necessities of life cost perhaps a cent or two less per dollar than in the North, but those things, big and little, which make us feel that we are out of the slave class cost just as much, if not more, in the South as elsewhere.

I repeat, the International Union which I have the honour of serving is whole-heartedly in favor of the institution of the 32½ cents hourly minimum for all textile workers, North and South, East and West. The establishment of differentials will keep open many old wounds—wounds that I trust are the fading marks of an age which is gone. Should a single minimum be set by the Administrator, and I fervently hope that it shall, a danger will inevitably arise in the form of the maximum wage dropping down to the minimum, but we must be contented to cross this bridge when we get to it.

The 32½ cents hourly minimum will mean much to all the South. It will remove the artificial barriers from between the Southern and the Northern employers, inducing them to get closer together to work for the stability of the industry as a whole. It will mean a little more in the pay-envelopes of the workers, which will bring more trade to business.

I urge the adoption of the 32½ cents hourly minimum because it will give an added sense of independence, se-

curity, and responsibility to the thousands of workers affected. It will mean another step out of the economic and social morass that has forever engulfed the South. It will be another historic victory for the cause of social justice which has been so nobly championed by the present national Administration.

Q. Mr. Pollard, in your own experience, can you state whether the adoption of the thirty cents minimum in the summer of 1933 has resulted in any reduction in the rate of production in the textile mills in the South, or in any substantial unemployment?

A. No. I don't think that the institution of this minimum has resulted in forcing any mills to close. The mills that did close, the causes for that could be attributed to other factors, like obsolescence, bad management, or other things outside of the thirty cent minimum.

Q. Can you state out of your own experience, whether the establishment of the thirty cent minimum wage under the NRA caused a larger raise from the then existing wages, than the contemplated establishment of the 32½ cents minimum now?

A. From what I have read, and the workers I have talked to, and even my own wages, when I was working in the plants, and I was then working in the plant,—it would be a decided difference in the jump, in 1933, and any jump that might be caused by the institution of the 32½ cent minimum at this time. For instance, at that time, take my own case, for example, I was making $8.25 per week in that plant at that time, and I was working 55 hours a week.

Q. When was that?

A. 1933, just prior to the NRA, and when the NRA was instituted, my hours came down, dropped from 55 to 40 hours a week, and my wages went up from $8.25 for 55 hours, to $12 a week for forty hours, and my employer

then said that the NRA was vastly beneficial to his company. That is what he told me.

Q. Would you then consider the increase from the present wage levels being substantially a smaller increase as a general rule?

A. Much smaller.

Q. And the original increase that you were just describing, did it or not create any unemployment in the mill in which you were employed, or in any mill that you have known?

A. Not that I know of. Of course, the process of the stretch-out and job-elimination, and improved machinery were going on then, but that was entirely apart from any workers forced out by reason of the wages.

Q. That program was nothing new, and it had been going on for some time, is that correct?

A. No, it had been going on for twelve years.

GORDON L. CHASTAIN.

Direct Examination.

By Mr. Shishkin:

Q. Please state your name for the record?

A. Gordon L. Chastain.

Q. What is your position in the union, Mr. Chastain?

A. I am president of the Southern Cotton Textile Federation.

Q. How long have you been associated with the labor movement?

A. Since 1932.

Q. In what capacity or capacities?

A. I have served since 1933 as a general representative of the United Textile Workers of America, and as vice-president of the United Textile Workers of Amerca, and now as president of the Southern Cotton Textile Federation.

Q. In serving in those capacities, have you had opportunity to participate in collective bargaining negotiations during that period of time?

A. Yes, sir.

Q. Has that brought up a number of questions bearing on the wages, hours and other employment conditions?

A. It has, yes, sir.

Q. Did these discussions also bear on the operating costs and the other considerations that are involved in the wage determination?

A. Yes, sir, they have, to a great extent. As Mr. Pollard stated, I have been informed not later than last week by an employer in negotiations with him, that in the operation of the mill, that the wages made very little difference to him, providing his competitors paid the same wage. He went so far as to state that a bill of goods that maybe he had sold, it would possibly take

him six months to fill the order, and if there was an increase in the wages due to State or National legislation, that that was understood in the agreement that it would be paid, or rather, passed onto the man that bought the bill of goods.

Mr. Taylor:

I think that we will have to interpose an objection to that line of testimony as presumably that gentleman could come here and testify, and he is subject to a subpoena if he doesn't come forward voluntarily.

Mr. Shishkin:

I didn't hear the objection.

Administrator Andrews:

I agree with you that it is hearsay evidence, and we will take it under that consideration.

Q. Have you ever worked in a Textile Mill?

A. Yes, sir, I worked from the age of 13 until—well, I worked about six years in the mill.

Q. In what capacity, and what has been your experience in the textile mill?

A. I have worked in every department in the mill, that is my experience in the mill. I can remember the weave room, for instance, back there, and I can call names and places if it is necessary.

Q. Just indicate when and at what time, generally, it was?

A. Well, I remember back in 1925, at the Lonsdale Company Mill, at Seneca, South Carolina, I was employed in the weave room, and the weaver was supposed to run 20 looms or 80 squares, and today, they are running 60 or 80 looms, and they have added on that much work, onto the weaver. Now, that is one stretch-out that

they have added onto these people in the weave room there. They have been improving the machinery right along. For instance, take another example of it, that is in the picker room, and now there is a machine known as the one-process picker. We had a few years ago, and we still do have in some of the mills, what is called an intermediate picker, and then the finishing picker, and they had three or four different machines back in that time, and they have been replaced by this one-process picker, by this one-process picker, and that process has eliminated a number of operations and a number of employees in the mill, and I might state that throughout the entire mill there have been what we term the stretch-outs. It has not been due to improved machinery. In some mills, improved machinery has been installed, that is true, and in other mills, for reasons not known to me, they have not installed or did not install the improved machinery, but they made an effort to stretch the employees out over the work, in order to compete with these other mills that had installed the modern machinery, and that has thrown quite a number of people out of employment. Now, citing you an example of what I mean by this, we will take the spinning room, and for the sake of an argument, we will say that there is one hundred spindles per frame, and they have taken maybe three frames there, and they will take this third frame, and they will cut it in two, and add it onto this other frame, giving the operator there 150 spindles to handle, instead of the hundred that he handled before, and require the employee to run the same number of sides on that machine. He has to run the same number of sides with those added spindles as he did with the shorter frame.

The stretch-out system has been installed, and is still being installed, which has eliminated thousands of employees in the South.

Q. Would you say that the existence of the stretch-out system has been a continuous problem in the textile industry?

A. Yes, sir, it has since I have gone into the textile industry, that is true, yes, sir.

Q. What has been the effect on the additional compensation received by the employees, by virtue of this additional work that has been put upon them?

A. In most cases, to be perfectly frank with you, to try to get them to take the additional machines and additional work without strikes or serious trouble, they have increased their pay in proportion to that work for a certain number of weeks, or for a few days, but within a period of a few weeks, they go back down until they make the same wage that they were making on the lesser job, when they had lesser duties to perform.

Q. Over a long period of time, would you say that the introduction of the increased work by virtue of the stretch-out system, was compensated for equitably, or not?

A. It was not.

Q. In your judgment, would the adoption of the 32½ cent minimum result in any appreciable unemployment?

A. I don't see how it would. I think it would increase employment. Being closely associated with the textile industry for a number of years, I have had occasion to go into the homes of these various workers, and I have seen the necessity for cotton goods as well as any other goods, such as window curtains and bed-clothing, and clothing for the children, and clothing for the entire family, and many times I have talked to these various individuals, and have been told by them that they would, —that they could spend $100 for clothes and things of that kind, and that they needed it very badly, and I am sure that in case that the workers in the textile industry received an increased wage, that the increase would only be turned back into the textile industry, or at least a

great portion of it, for clothing, and the balance of it would be spent for groceries and so forth.

Q. Have you had any contact with specific situations where the result of the minimum wage scale like it was established in 1933, where there has been a substantial wage increase over the minimum wage,—have you had any experience in matters of that kind?

A. I beg your pardon, I don't understand your question.

Q. Have you been in contact with situations where the workers have had their wages increased in the South, in substantial amounts, such as during the NRA period where the workers had their wage rates increased?

A. Yes, sir.

Q. Did the adoption of the new minimum then, in your experience, cause any unemployment to take place?

A. Insofar as I could see, it did not, and it seemed to me that the employees and the employer were well pleased with the NRA during that experience, except some few employers whom we have termed as chiselers, they want to avoid paying the minimum wage.

Q. As a matter of your own knowledge and experience can you tell us about the effect of the adoption of the minimum wage and the effect that the increased wages had on their standard of living?

A. Yes, sir, yes, I think I can. On a 30 or 32 cent minimum wage for 40 hours work, as we all know, wouldn't even give the bare necessities of life for an average family of five. I don't see, to save me, how a textile worker can exist on $13 per week, and I think if every person concerned had the same advantage as I and would take advantage of it, I mean the advantages that a labor organizer has, and would visit the homes of these textile workers and see the bareness of their homes, and be there and see the food that these people have to eat at mealtime, and go to them and ask for money to

enable them to get a doctor, and knowing that there are children there 12 or 13 years old who have never seen a dentist, and knowing that the wife of a textile worker is sick in bed and can't go to see a doctor, and I don't think that anybody will deny those facts, because those are facts—I really don't see how anyone could say that $13 per week or 32½ cents minimum wage can't be paid them. It is a very small wage, indeed. If he gets $13 per week, he will not put the increased wage in the bank, but he will spend every dime of it to buy commodities for the home, and when he buys those things, regardless of what it is, that will put people to work in other shops, and they will certainly spend all of the money that they have coming to them. And it is my opinion that the more money spent by the textile workers, as well as the other workers, the better off the world will be.

Q. At the time that the minimum wage was increased, to your knowledge; back in 1933, in the cases that you know of, did any increase in the wages result in any increase in the purchasing power of the families?

A. Do you mean in comparison with the increase now?

Q. No, I mean just then. Did the increase in the minimum wage at that time, at the time of the NRA, was the purchasing power of the workers at that time increased any?

A. Yes, sir, it increased in more than one way. I knew workers—it increased it more than the proposed increase would now. I knew workers that were then working for $6 per week for 55 hours a week, and the majority of them worked at a wage below $10 per week, and they were increased to $12 per week, and their hours were reduced, and I think that they put every dollar of that into some of the necessities of life.

Q. Did that increase result in the improvement of the workers' welfare?

A. It did, naturally, to a certain extent, although I don't think anyone will agree that $12 is sufficient for a man to support a family on.

Q. From a standpoint of welfare and need, is it your opinion, then, that the minimum to be established in the industry should be higher than the one recommended here?

A. Well, there is lots of things I will admit that I don't know about the industry, but I don't think it should be less than 32½ cents. I know that it is badly needed among the employees, a higher minimum than that, and every bit of it could be turned back into the purchases of the necessities of life, and I think a great portion of it would be turned back into buying the various commodities, but it is not for me to say that it should be at this particular time placed at a higher rate, but I certainly don't believe that it would cause any unemployment if it went into effect now.

L. JAMES JOHNSON.

Direct Examination.

By Mr. Shishkin:

Q. What is your official position in the union, Mr. Johnson?

A. I am First Vice-President of the Southern Cotton Textile Federation.

Q. How long have you been associated with the labor movement?

A. Ever since 1929.

Q. In what capacities?

A. Well, in the beginning, I was in the offices of the local unions and then an organizer for the United Textile Workers of America, beginning one year prior to NRA, for several years held State positions with the State Federation of Labor, and so on.

Q. Have you had experience in wage negotiations in the textile industry?

A. Yes, sir.

Q. Over what period of time?

A. Well, since the NRA.

Q. Have you ever worked in a textile mill, Mr. Johnson?

A. Yes, sir.

Q. Will you tell us in what capacities?

A. Well, the first work in a mill that I did was in the Seminole Mills and the Aiken Mills up at Bass, South Carolina, and a unit of the United Merchants and Manufacturers of Fall River, Massachusetts.

I worked in the cloth room in the beginning. I went to the weaving department and filled batteries in there, sweeper, several odd jobs until I learned to weave, and then I was a weaver for a good many years.

I worked in the slasher department some and in the spinning room. I worked practically all over the mill. These mills that I was working in awhile during 1930, the Aiken Mills, Seminoe Mills, Langley Mills, which are all units of the United Merchants and Manufacturers, they were only small mills, and they moved the machinery down from Fall River, and there were notes, I believe in the box where they sent the machinery down here from Fall River, where they were up there, they closed the plant down up there and sent the machinery dow here, and the notes in there said they got 60 cents an hour up there, and we down here would get about 15 or 20, which we did.

Q. When was that?

A. That was in 1930.

Q. Will you tell us about your observations about the introduction of the minimum wage in 1933 and its effect on employment?

A. Well, when the $12.00 minimum wage was instituted in 1933, it was a great help to the employees as well as the employers and the public, it increased the wages more than any such minimum would increase them now, and it did not put people out of work or create any unemployment, but it created employment, because I know in many places that I visited, more people were employed than there were before the NRA.

And I know several mills that have been closed down, others that have been operating possibly half time, they began operating full time.

Q. Are you familiar with any specific situation in the stretch-out system where it has been introduced, and will you testify as to that?

A. Yes. I know several instances where the stretch-out has thrown people out of work where possibly they

were running from ten to twelve looms, they increased the number of looms to 18 or 20.

In the work that I did, I was at one time operating 12 looms with a battery hand, and later on they increased the looms to 16, and I had to fill my own batteries. Now, at that mill, they are operating 18 looms.

Q. Is it or is it not a fact that the stretch-out situation even exists without any reference to the introduction of new machinery?

A. Yes, sir, it has been in existence ever since I went to work in the mill, ever since I can remember.

Q. Does it always have connection with the introduction of new machinery?

A. No, sir.

Q. Or is it sometime introduced all by itself?

A. It is separate from the introduction of new machinery, because new machinery is put into effect, and of course it possibly puts people out of work, but still what we term the stretch-out is where on the same type of work with the same type of machine, where the workers are forced to do more work in order to lay workers off to reduce labor costs by the employer.

Q. After the stretch-out system has been in operation for some time, does the worker concerned receive equitable compensation for the increased work load?

A. Well, sometimes they do for maybe a month or so, but then they cut it back down. They pay them by piece rate, and they cut the rate down where they won't make any more on the increased work load than they did prior to the increase in work load.

Q. So, as a matter of your own knowledge—

A. Yes, sir.

Q. In many instances over a period of time, the stretch-out leaves, the operation of the stretch-out sys-

tem leaves the worker without adequate compensation for the increased work done?

A. Yes, sir. I can name one specific place right now in Reedsville, North Carolina, the Aetna Cotton Mills, the spinners all operate eight sides, about ten or twelve months, or possibly longer than that,—it has been a good while ago,—for $16.00 a week, and now they are operating ten and twelve, where they were on eight, they are on ten or twelve sides, which is five and six frames, with 144 spindles per side. They are making $13.75 now.

Q. On the basis of your experience in the past, do you believe the introduction of the 32½ cent minimum will substantially curtail employment?

A. I do not. I don't see how the establishment of a 32½ cent minimum per hour can curtail any employment or throw any people out of work.

Q. Is it your opinion that the introduction of the 32½ cent minimum in the industry in the South will result in substantial improvement of the standard of living of the minimum wage workers?

A. Yes, sir, I do, because I know of my own knowledge, I work in North Carolina, South Carolina and Georgia and Tennessee, and I in the past few weeks, just recently, I have been in contact with hundreds and hundreds of workers in meetings and in other forms of gathering, mass meeting, meeting them, and I know that their conditions are deplorable. Sometimes they have bread and meat, and sometimes they just have bread, and I think maybe with a little increase, why, they can at least have bread and meat. It will help the living conditions, and they will spend it, because they have to, they can't save it, there is no way they could.

Q. On the basis of your widespread contacts with textile workers in various parts of the South, is it your belief that it is a general demand on the part of the

textile workers themselves for the introduction of the 32½ cent minimum?

A. Yes, sir, I do. I can say over the past month I have been in meetings in North Carolina, in several centers in North Carolina, and two or three textile centers in South Carolina, and one in Georgia, and up in Tennessee, besides meeting people personally, and they passed resolutions and said to me in every way possible they were very anxious for a 32½ cent per hour minimum because they feel it will help them considerably.

Q. Is it your opinion that if the workers in general had anticipated a widespread unemployment to be brought about by this minimum, that they would express such widespread desire for the establishment of this minimum?

A. You mean if they thought there would be people put out of work, would they be so anxious for it?

Q. Yes.

A. No, I don't think so. If I thought so, I would not be here for it. If I thought it was going to put them out, I would be here against it, but I don't see how it can.

Q. Do you have any general statement to make with regard to your own knowledge or experience or observations in connection with the recommended minimum?

A. Well, just what I have said is that our organization is very much in favor of the minimum wage, and we emphatically deny any knowledge that it will put any people out of employment.

We believe it will help and will stabilize industry. As many workers as I have come in contact with, we all believe it will help the industry and help the business as a whole for the 32½ cent minimum to go into effect.

ELMER ESTES.

Direct Examination.

By Mr. Shishkin:

Q. Where are you from, Mr. Estes?

A. My home is in Atlanta, Georgia, here.

Q. What is your official position?

A. I am a general organizer for the United Textile Workers of America.

Q. How long have you beeen associated with the labor movement?

A. I have beeen associated for quite a few years, some ten or twelve years.

Q. Is it your belief that the 32½ cent minimum will curtail any, appreciably curtail employment to any appreciable extent?

A. I do not, but in the event it did, I should think it would be taken up by the improved conditions and buying power, and probably in certain instances it might throw a few out of employment in certain places, but as a general thing, I don't.

Q. Have you had any opportunity to participate in wage negotiations in any other way, coming in actual contact, dealing with the problems in the textile industry?

A. Yes.

Q. Have you had any experience in that connection in dealing with the specific problem of the stretch-out?

A. Yes, I have.

Q. Will you make a general statement on that point, Mr. Estes?

A. There is quite a bit of difference in the actual stretch-out and improvement of machinery. Improvement in machine loads eliminates some employees, that is true, but the biggest problem that has been facing the textile worker in my experience as an organizer, textile worker, and general organizer for the American Federation

of Labor and the United Textile Workers has been that the stretch-out has eliminated more jobs than the improved machinery has eliminated due to the condition, as has been explained on the stand, of doubling up with the machinery, same machinery without improvement of the machinery, and adding on more work to the worker, which has almost reached the breaking point,—there is not going to be a great deal in my estimation, taken as a general rule, that can be added on much more because there is a certain limit to human endurance, and I think that has been about reached as far as the stretch-out is concerned, not the improvement in machinery.

Q. Is it your opinion that increasing the work load results over a period of time in the raising of the compensation of the workers, that is, in proportion to the work load?

A. Please state that again.

Q. When the stretch-out system is introduced, the worker that operates under that stretch-out system, does he receive compensation in proportion to the increased work load that he has to bear?

A. No, they usually, in most instances, raise the wages to start with, and then gradually drop back down until it gets to where he has practically the same rate of pay he did before he was stretched out.

Q. In the long run then, he has to turn out more work for the wage that he receives?

A. That is right.

Q. Mr. Estes, have you had any contact with the wage situation in textile and related establishments in the state of Mississippi?

A. Yes, I have.

Q. Will you make a general statement on that, please?

A. I have been working quite recently, and for the last several months down in Mississippi, and some work in North Carolina.

Down in Mississippi, I find in that particular locality that they have disregarded the Wage and Hour Laws in many instances, paying 14 to 16,—and that is a matter of record, —17 cents, regardless of whether they had a Wage and Hour law or not.

And the Walsh-Healy Act has been violated in many instances, and quite a few of the Federal laws, or any laws for the protection of labor, they have practically violated them. I find that down in that section. They have been cited, evidence proven, and so forth and so on.

But I do find with the better managed textile industries of the South generally, you don't have the trouble we have at some of the smaller plants with obsolete machinery, bad management, and so forth and so on, who work, but don't ever improve the machinery, pay dividends over sometimes a period of years until the machinery gives out and expect the employee to bear the brunt of bad management and so forth.

And we find some of that I think in my estimation existing down in Mississippi.

Q. Have you actually worked in some of the establishments in Mississippi?

A. In Mississippi?

Q. Yes.

A. No, I have not worked in textile plants in Mississippi, but other plants.

Q. In this specific instance to which you have referred, is it your opinion that the employer who has been paying a substandard wage, or a wage below the minimum gains a competitive advantage over the employer that complies with the law?

A. Certainly he does.

Q. Is the employer motivated in violating the minimum standard by his desire to make more profit?

A. That is my estimation.

Q. Does the competitive situation created make it more difficult for his competitor to make a reasonable profit on his operations?

A. Yes.

Q. Have you been in contact with any number of groups of textile workers in recent months?

A. Yes, I have contacted hundreds of them in different sections in the South.

Q. Is it your experience that the introduction of the 25 cent statutory minimum under the Wage and Hour Law has caused any dislocation or created any unemployment?

A. No.

Q. Is it your opinion on the basis of the contacts with the groups of textile workers throughout the South that the proposed 32½ cent minimum will create substantial unemployment?

A. I do not.

EXCERPT FROM TESTIMONY OF BORIS SHISHKIN, COUNSEL FOR THE AMERICAN FEDERATION OF LABOR.

The Witness:

Yes. In connection with the operating record of the industry during this period, there is the question that I have already touched upon of a number of failures in the textile industry as compared with failures in the manufacturing industry as a whole.

The facts that I have reviewed briefly of the last hearing indicate without dispute that there is no correlation whatsoever in the number of failures between the operating experience in the industry as far as the profitable nature of the operation is concerned and the maintenance of the minimum wage standards. There are two phases in connection with these figures. One is the period for which is shown the number of failures, while the NRA was still in effect, the invalidation of the NRA when minimum wage maintenance was abandoned, and the introduction of the statutory minimum under the Fair Labor Standards Act. I would be glad to introduce this series, based on the figures available from Dun's Statistical Review as the next exhibit.

It represents an index of failures and an index of liabilities which is placed in such form as to bring out the scope and extent of failures as effectively as possible. In other words, for the selection of the base period for this industry—

Mr. Pitts:

May I suggest you have that marked as Exhibit No. 2 for identification, Exhibit No. 2 of the UTW? The reporter will make the notation. I suggest the first one you presented be marked the same way, and that you refer to them as Exhibits No. 1 and No. 2 for the UTW.

(UTW EXHIBITS No. 1 and 2, Witness Shishkin, marked for identification:)

The Witness:

I now refer to the previous exhibit as No. 1 of the UTWA.

Mr. Taylor:

Mr. Administrator, may I inquire of Mr. Shishkin as to what appears to me to be a typographical error?

(Proceedings had off the record.)

The Witness:

I have the original statement with me here, and I will correct it before we leave the hearing room.

With reference to the index of failures, I just wanted to point out that the picture could have been presented in a different color perhaps by the selection of a different base for the index. For 1935, a quarter could have been chosen in which the index of failures was the highest. But in order to present a fair and equitable picture of what has happened in the industry, we have selected the fourth quarter of 1934 as 100, and the succeeding years, 1935, 1936, 1937 and 1938, and the first quarter of 1939 to be compared with that period.

Among the facts significant in this is the fact that in 1935, for example, is the gradual increase in the number of failures and in number of liabilities incurred which has persisted at about the same pace, regardless of any such occurrence as the abandonment of the NRA code.

The same situation is reflected again for the quarter by quarter comparison of 1938 through 1939, and it also is reflected in the figures for April, 1939, which is not included in the exhibit.

PROFESSOR FRANK PORTER GRAHAM.

Direct Examination.

By Mr. Pitts:

Q. Will you please state your name for the record, Professor?

A. My name is Frank Porter Graham.

Q. And what is your present address, Professor?

A. Chapel Hill, North Carolina.

Q. And what is your present occupation?

A. My fundamental occupation is a teacher; and president of the University.

Q. You stated that you are at present president of the University of North Carolina, is that correct?

A. Yes, sir, but I am appearing here as an individual.

Q. What has been your field of teaching, and of study?

A. History.

Q. Are you the author of any material on the subject of economics and social conditions, particularly in the South?

A. Not especially. I wrote one article for the Annals of the American Academy, on the social adjustment due to industrial change.

Q. Did you take any part in the NRA in its early days?

A. I was a member of the Consumers' Advisory Board, the National Consumers' Advisory Board.

Q. Did the matter of the Textile Code come before that Board?

A. Only with regard to its effect on consumers. For example, I recall that the question of a thirty hour week came before our Board, and our Board took the position against the thirty hour week, and in favor of the forty-hour week, in protection of the interests of the consumers, and also one other point, I think, with regard to the three-shifts and the two-shifts, our Board, as I recall it, was in favor of the two shifts rather than the three shifts, even

though that was against the interest of the consumers, because of the larger human welfare involved, our Board was against the three shifts or the grave-yard shift, as it was called.

Q. And voted in favor of the two shifts?

A. The two shifts, instead of three.

Q. Have you ever taken any part in social legislation in the State of North Carolina?

A. As president of the North Carolina conference for Social Service, we sponsored the Workmen's Compensation Act, and made preliminary studies which formed the background and the materials out of which that Law was written.

Q. The present law?

A. The present law.

Q. Did you take any part in Social Security, in the deliberations which led to the enactment of the Social Security Law?

A. I was chairman of the National Advisory Council on Social Security, which made the preliminary studies.

Q. Have you taken part in any other similar activities regarding social conditions or educational conditions, or economic conditions in the South?

A. Well, my main line is education. I was on the President's committee on Education.

Q. What was the result of the deliberations of that Committee?

A. That Committee gathered the materials and made the recommendations out of which the Harrison Bill was presented to Congress. Senator Pat Harrison, of Mississippi, Senator Taft, of Ohio, says, in the interest of the South, but I think in the larger interests of children everywhere, is championing a bill to equalize this great educational overload carried by the Southern people.

Q. What overload do you refer to, President Graham?

A. Well, the wealth is concentrated in one part of the country and the children are concentrated in another, and

the Southern people are carrying a tremendous overload, and these children, as soon as they get educated, move to other parts of the country in large numbers, and those parts of the country get the benefit without having had to pay any of the costs.

Q. It is the purpose of this pending bill in Congress to equalize that?

A. Equalize it, yes.

Q. To some extent?

A. Not as a matter of charity to the South, but as a matter of justice to children.

Q. You have for many years been interested in social and economic conditions?

A. I am not an expert, Mr. Chairman, let me say that.

Q. Have you prepared a statement, President Graham?

A. I have prepared a statement, yes, sir.

Q. Will you please read that?

A. I am Frank P. Graham of Chapel Hill, North Carolina, and am appearing at the invitation of Mr. Spencer Pitts, Industries Committee Counsel and at the suggestion of Mr. Hyman Battle, treasurer and manager of the Rocky Mount Mills, the oldest cotton mill in the South. I appear not as an economist or textile expert or any kind of an expert. I appear as a Southerner with both an historical and human interest in social legislation, of which the Fair Labor Standards Act is a most recent part. The recommendation of Industry Committee No. I for a 32½ cents minimum wage in the textile industry is, I consider, a sincere proposed application. I consider that the opposition to this particular application is also sincere and also valuable. The majority recommendation for a 32½ cents minimum does not represent another resurgence of Northern carpetbaggers bent on bleeding the South. The minority report is not another insurgence of Southern slaveholders bent on resisting human emancipation—It is a part of the American democratic process that there be proposals for social adjustments to changing conditions.

It is also a part of the free American way that a proposal for change be questioned and tested. Through such questioning and testing we secure wiser and fairer changes. This opposition instead of being a matter of Southern backwardness or human cussedness is part of a social process not confined to Southerners, is older than the textile South, and is part of an historic process as old as democratic social legislation itself.

Every proposal regarding shorter hours, child labor, night work for women and minimum wages has been resisted, sometimes bitterly rather than wisely but always as certain to destroy or cripple industry in general or some industry in particular. It is the part of wisdom to question the wisdom of a sudden and drastic introduction into the textile industry of a minimum wage of forty cents an hour. The cotton textile industry with its overcapacity and instability, with its rapid and wide fluctuations in price structure, with the competition of substitute and synthetic fibres, with the competition of low wage countries, with narrow mill margins and shifts in consumer preferences, constitutes a problem that deserves sympathetic understanding and the opportunity to make gradual adjustments to changes in the wage structure. Industry Committee No. I, it seems to me, has given such consideration.

The law permits and some proponents favor, a minimum wage of 40 cents an hour. Some of the opponents propose a minimum wage of 30 cents and some are opposed to any minimum. The committee recommends 32½ cents. The 32½ cents minimum hourly wage would entail an increase in manufacturing costs computed by the Committee to be 1.44 per cent for the entire cotton textile industry, 2.25 per cent for the South and 3.34 per cent for the low wage mills.

Mr. Hyman Battle, treasurer and manager of the oldest cotton mill in the South, favors the 32½ cent minimum and holds that its adoption can be assimilated to the long

run benefit of the industry and the South. Some half dozen Southern manufacturers have joined him in this position and a few others have privately assured him that they personally were not opposed but preferred not to take a position contrary to the leadership and the preponderant membership of the Southern cotton textile industry.

Personally, I favor as high wages as the law, the financial resources, competent business management, the competitive market, and fair prices to consumers will permit. Wages unmistakably go to large groups of human beings. Wages made in Southern industry go to the people who work and live in the South. Wages become part of the purchasing power and economic well being of our people. Too often the wealth the South produces is drained off by tariffs, discriminatory freight rates, absentee financial overloadships, educational overloads, export of talent, and lower Southern wage levels. A higher minimum wage gradually introduced, as illustrated in the recommendation of the Committee for a 32½ cents minimum, will I believe, be a good thing for the textile industry in general and the South in particular.

Yet it is not suprising that any proposal for a minimum wage is resisted. Such resistance is a natural and customary chapter repeated by nations, states, and sections in the history of social legislation with sincere conviction as to dire results.

It was strongly argued that:

1. Social legislation would destroy the freedom and the initiative of the individual. On the contrary, it has been found not to destroy but to regulate and preserve this freedom and initiative for a larger number of people.

2. Social legislation with regard to women and children would violate the sanctity of the home. Actually, legisla-

tion in behalf of children and against night work for women and minors is a safeguard of home life.

3. Reduction of hours would promote idleness and dissipation. As a matter of experience, physiological tests have proved that long hours at routine work make for dissipation as a relief from monotony and fatigue.

4. Legislation would impose an unfair handicap in competition with nations or states with less regulation. It has been found that higher standards of work and efficiency and better morale more than offset this handicap. Business men in Parliament who had been strong opponents became staunch champions of the very legislation they had bitterly opposed.

5. Legislation would drive industries from England to France, from Massachusetts to the Carolinas, or from the Carolinas to the Southwest. Industries do not dodge legislation, but legislation follows industries as a matter of experience and social well-being.

6. It is said in a summary way that legislation would destroy industry and kill the goose that lays the golden egg. Industrial history shows that the most wisely regulated industries become the most economically and socially productive.

In this region of the Old South, where human slavery made its last stand in the modern world, industrialism makes fresh beginnings on virgin soil. We have the lessons in the tragedies of one and the opportunities in the power of the other to make a contribution to the cause of mankind and to the history of civilization, distinctive and rich in a deeeper sense of human personality and social relations to be worked out on the basis of justice by a friendly folk who live under a Southern sun in a pleasant land between the mountains, the sea and the gulf.

We have the opportunity not only to install new machinery and new technique of engineering and management, but also to adopt nobler human attitudes than have yet characterized the history of industrialization either in Europe or America.

Social legislation with its shorter hours and minimum wages, together with more modern management and more responsible organization, brings us to the social frontier of the vast possibilities of our yet unmastered civilization. In the 32½ cents minimum wage, management, labor and the Government here may join hands toward that mastery in behalf of a more productive and nobler South, in the making of a fairer America.

Q. President Graham, you made reference to Mr. Hyman Battle. Do you know that he appeared before the Administrator in Washington?

A. Yes, I understand that he did.

Q. And that he represented, I believe you mentioned, a half dozen other manufacturers who were in favor of the 32½ cent minimum?

A. Yes.

Q. Do you recall exactly how many?

A. I said a half dozen, but the exact figure I know is seven.

Q. Seven telegrams were introduced in evidence?

A. Seven telegrams.

Q. Is it reasonable to assume that other Southern textile manufacturers are in favor of 32½ cents minimum?

A. Well, these seven were just those within the range of Mr. Battle's acquaintance, and he told me there were some others who personally were in favor, but did not care to take a stand about it.

Q. And those gentlemen are within the acquaintance of a single individual?

A. Yes, sir, Mr. Hyman Battle.

Q. It is reasonable to expect that there are others outside of his acquaintance?

A. I would say that was reasonable.

Q. Why do you believe that other Southern textile manufacturers have not appeared here to support this wage?

A. Well, I would say—of course, many of them are sincerely of the belief the other way, and also some others as a matter of group loyalty. The second group of course is much smaller than the first.

Q. It is a matter of group loyalty, you say?

A. Yes, sir.

Q. Have you any further statement to make, President Graham?

A. No, sir, I have not.

Mr. Pitts:

That is all.

Administrator Andrews:

Questions?

Cross Examination.

By Mr. Taylor:

Q. President Graham, I believe you stated that you were not an expert?

A. Yes, sir.

Q. In this field?

A. That is correct.

Q. Do you have knowledge as to the present condition of Southern mills generally?

A. No, I do not, not first hand.

Q. Do you have knowledge as to present market conditions, President Graham?

A. No, sir.

Q. You would not know, for instance, in 1938, whether the condition of the industry was better or worse than the condition now, or than it was a year ago?

A. No, I would not. I have an impression it is not quite as good, but I don't know.

Q. Do you have any information, President Graham, as to what the effect of this proposed wage minimum would be on the mills?

A. On those marginal mills?

Q. Yes.

A. No, I do not. I have asked Mr. Battle a question about that, and he said that he had one small mill that started on a shoestring, and he believed that it could absorb the 32½ cent minimum without damage to the mill. I don't know whether it is proper for me to be quoting him or not.

Q. It is perfectly all right.

A. I am not trying to ease anything in here.

Q. As a matter of fact, I believe he testified to that in Washington.

A. He said that some of the sub-marginal mills, on account of the fact—I mean this is what he said to me, I am not trying to quote the record. If this is hearsay evidence, Mr. Chairman, I am not trying to slip it in.

Administrator Andrews:

Mr. Taylor doesn't object.

The Witness:

All right. He said to me that those sub-marginal mills that had been through receiverships had a lower overhead and he believed could economically absorb that, with more modern management, that 32½ cent minimum.

Q. Was it your understanding, President Graham, that he meant by that mills that had been through a receivership and the stockholders' equity wiped out?

A. I suppose that is what a receivership means. He said there were a good number of those, but as to that I do not myself personally know.

Q. President Graham, is your knowledge of the situation great enough to enable you to have an opinion on the situation based on facts as to whether this proposed wage order would or would not substantially curtail employment?

A. From my conversations with Mr. Battle, and also I read his written statement, in his last sentence he said he doesn't believe that it would.

Q. And that is the basis of your information on that question?

A. That is the basis of my information.

Q. President Graham, as a matter of public or social policy, would you favor the elimination of these marginal mills if this proposed minimum should turn out to have that effect?

A. I would try the 32½ cent minimum, put it up to them to introduce more modern business techniques of management.

Q. In the case of the obsolete equipment, while improvements in management would not wholly cure the situation perhaps, what would be your thought as to what they could do as to that?

A. As to equipment?

Q. Yes, sir.

A. Well, I think as to those that have been through the receiverships and don't have the overhead, I think they could gradually take on new equipment.

Q. What, President Graham, as a practical matter, in your opinion would happen to the employees of one of these small marginal mills in a small town, we will say, that should be caused to fold up by this proposed wage order?

A. That is if there were some that had to be closed up?

Q. Yes, sir.

A. Well, of course, they would have to seek other employment, and that would be unfortunate, but as you look at the larger historic process, it is true that social legislation in behalf of larger groups of people does have its casualties, and that is regrettable, but the larger interests of the whole industry, as it works towards stability and towards larger purchasing power for its workers, outweighs those very distressing human casualties. That is the history of social legislation both in Europe and America.

Q. Is it your opinion that employees who are displaced, we will say in community X, any small town down in Alabama or Mississippi or North Carolina, would be able probably to find employment in some other textile mill somewhere?

A. I am not sure about that. I would still stand for the 32½ cent minimum because of its meaning to the industry as a whole. And it is in this connection, as we establish minimums in many industries, you increase the purchasing power over the whole country, and some of these marginal mills as they make adjustments in management and machinery will with this larger market have a better chance to come through.

If we raise the minimum wages in all industries throughout the country and the standard of living goes up, then, we have built up a greater market. And perhaps some of these marginal mills that have had to fold up, that I am humanly concerned about as you are, Mr. Taylor, might have a better chance to survive than they would in the present unstable condition, with all of the adverse factors operating against the textile industry now.

Q. President Graham, you spoke of the increase in purchasing power?

A. Yes, sir.

Q. Could you spell that out for us in a little more detail? We have had considerable testimony on it.

A. I know if you take the 600,000 workers in the textile industry, that is just a drop in the bucket of the purchasing power, and we are not going to add to the total purchasing power of America through this 32½ cent minimum in any large way, if you just take it by itself.

But if you take it as a part of a national movement to have higher minimum standards in all industries, then you have got some purchasing power you can talk about, which will come back to the benefit of the textile industry.

Q. President Graham, Mr. Nixon testified yesterday as I recall that the net effect of this proposed minimum, even if it did raise prices, would be to increase the purchasing power of the farmers, or at least not affect it adversely. Do you agree with that?

A. Increase the purchasing power of the farmers?

Q. Yes, sir.

A. Well, I could see this, the textile industry group, one group, and a very important group to us here in the South, you add them to all these other groups, and they have more wages to buy more food and more clothes and more woodwork, involving the forests and the farms of the farmers, and I do seee that it would be a good thing for the farmers in the long run.

Q. Would you say that its immediate effect might be to curtail their purchasing power?

A. Well, there might be. I have not studied that question, but I get your point, and I see there might be some places, say, where a mill folded up and the farmers around that mill had found a market there temporarily in that locality, there might be an adverse effect to the farmers of that community.

Q. I believe a specific illustration was used in questioning Mr. Nixon yesterday of an increase in the price of a pair of over-alls, we will say, assuming that it did occur, of from 59 to 69 cents?

A. Yes, sir.

Q. Would that tend to cause the farmers or others to buy fewer over-alls or more?

A. Well, what I want to keep my eye on is the fact that as we add up these groups with the higher minimum wages across the country, farmers will have better markets and have more money to buy over-alls and to pay the 10 cents extra for his over-alls.

Q. Now, President Graham, let's look at that a little more closely.

A. Yes, sir.

Q. As I understand it, the Wage-Hour Law does not apply to workers engaged in intrastate industry?

A. No, sir.

Q. It does not apply to farmers as I understand it?

A. No, sir.

Q. Apparently based upon the data submitted here, such industries as the automobi' industry, the steel industry and petroleum industry, and the building industry, and all of those large industries are already paying a wage higher than any minimum that could be set under this law?

A. That is the textile minimum would not apply to those industries.

Q. That is right—well—

A. As I understand it, aren't those industries to be studied also?

Q. I assume they are, President Graham, but as I also interpret the information we have here before us, they are already paying a minimum substantially above the 40 cents that the Administrator could set under the Wage and Hour Law.

A. Yes.

Q. Do you have any information as to the total number of people whose earnings are likely to be increased or could be increased by the application of the Wage-Hour Law, compared with all of the rest of the purchasing, buying, consuming population of the country?

A. No; I would like to have that.

Q. President Graham, as you know, a 25 cent minimum went into effect in October?

A. Yes, sir, 30 cents soon to go in.

Q. 30 cents soon to go into effect?

A. Yes, sir.

Q. You spoke of the casualties of social legislation.

A. Yes, sir.

Q. Would you or would you not think that it would be sound administrative and public policy to observe the effect of the 30 cent minimum for a few months before going to 32½ cents, especially in view of the fact that Congress has allowed a period of seven years in which to attain the 40 cent objective?

A. I would think some of the Southerners on the Committee were so afraid the Committee was going to vote for 40 cents that they were glad t get the 32½.

Q. Assuming that is so, President Graham—I don't have any information about that.

A. I have information that the vote lacked one vote of going to 40 cents. This is according to information given me by Mr. George Fort Milton, a member of the Committee.

Q. But as a matter of policy, would you think it would be a wise thing to observe the operation of the 30 cent wage for a few months before going to 32½?

A. As I read this report of the Majority Committee, their report impressed me as taking into account most of the basic factors involved, and they thought from their study that the industry as a whole could stand the 32½ cent minimum now.

Mr. Taylor:

That is all the questions I have, President Graham. Thank you.

Administrator Andrews:
Are there any other questions?

Mr. Ballew:
I have no questions.

Administrator Andrews:
I think we will adjourn until two o'clock.

(Whereupon, at 12:40 o'clock p. m., the hearing was recessed until 2:00 o'clock p. m.)

PAUL R. CHRISTOPHER.

Direct Examination.

By Mr. Abt:

Q. Will you state your full name, please?

A. Paul R. Christopher.

Q. Where do you reside?

A. My home, living home, is in Charlotte, North Caroline. I am now located in Spartanburg, South Carolina.

Q. Whom do you represent?

A. The Textile Workers Union of America.

Q. What position do you hold in that organization?

A. I am General Vice President.

Q. Do you hold any other position in the organization?

A. At the moment I am South Carolina Director.

Q. Where were you born, Mr. Christopher?

A. I was born in Easley, South Carolina.

Q. Have you spent your whole life in the South?

A. Yes.

Q. How long have you been a Vice President of the Textile Workers Union of America?

A. Since the convention in May of 1939.

Q. And how long have you been South Carolina Director of the organization?

A. This is the third week.

Q. What position did you hold with the organization prior to the time that you became South Carolina Director?

A. I was technical adviser of the Textile Workers Organizing Committee.

Q. Where were you stationed?

A. I worked all over the South.

Q. How long did you hold that position, Mr. Christopher?

A. From April, 1937, to May, 1939.

Q. What has been your experience in the textile industry prior to that time?

A. Well, I went to work in the mill when I was 14 years old.

Q. Whereabouts?

A. Greenville, South Carolina, F. W. Crowe Manufacturing Company, and I worked in various mills.

Q. All of your work in mills has been in Southern mills?

A. Yes.

Q. Proceed.

A. Then what time I was not in school, I worked until 1934, when I became a representative of the United Textile Workers of America.

Q. What were your duties as a representative of the United Textile Workers of America?

A. The general duties of an organizer. My work was mostly in North Carolina.

Q. You continued in those duties until the time that you became technical assistant to the Textile Workers Organizing Committee?

A. Yes.

Q. You mentioned the fact you went to school. What kind of school was that?

A. Well, I went to high school, and then I also attended Clemson College. I went to Parker High School, Greenville, South Carolina, and then Clemson College, Clemson College, South Carolina.

Q. Now, did you attend any textile school?

A. Yes, the Textile School at Clemson.

Q. Now, in your various capacities with the Textile Workers Organizing Committee, have you had occasion to travel generally through the South?

A. Yes, Alabama, Tennessee, North and South Carolina and Georgia.

Q. You are a member of Industry Committee No. 1, are you not, Mr. Christopher?

A. I was. I think the committee has been dismissed.

Q. As such member did you sign the majority report?

A. Yes.

Q. Do you have a prepared statement that you would like to submit here today?

A. Yes.

Q. Will you proceed?

A. The Fair Labor Standards Act was approved by the Congress of the United States only after long and serious consideration. As finally approved, the Act contained many compromises to meet the objections raised by its opponents; its original intent was thereby considerably weakened, but it met the objections of Southern Representatives in Congress.

The Act provides for minima of 25 cents per hour for the first year and 30 cents per hour for the second year, which begins October 24, 1939. An Industry Committee was appointed, composed of an equal number of labor, employer and public representatives, in accordance with the provisions of the Act, to study conditions within the textile industry. The Committee recommended a minimum rate of 32½ cents an hour, finding that the industry could adopt such a wage without substantially curtailing employment. The Committee recommended to the Administrator a universal minimum wage without geographic differentials.

The Textile Workers Union of America believes that a 40 cent minimum is economically feasible and would not result in any substantial curtailment of employment in the textile industry, but does now endorse the minimum recommended by Industry Committee No. 1 as a first step toward attaining the universal 40 cent minimum. On behalf of all textile workers, and particularly the textile workers of the South, I urge the immediate adoption of the minimum as recommended in the majority report.

It is to be expected that persons unfriendly to this type of legislation will oppose the minimum wage of 32½ cents.

These persons insist on being rugged individualists but they act collectively to fight true democracy in their mills; they are themselves unwilling to pay the price of stabilization in the industry, but are willing to share in the benefits of such stabilization; they look to others to pay the bill. Such persons will not abandon resort to the Courts as a means of invalidating or rendering ineffective the Fair Labor Standards Act, especially as it concerns the textile industry. I believe that we may as well have it out now with those who would destroy the benefits which would accrue under this law. Such persons object to raising the wage levels of workers, and desire to keep the workers in eternal peonage.

I am convinced that the 32½ cent minimum wage will have no such harmful effects as its opponents make out. We regret to say that the benefits of this minimum will be more limited than the advocates of the wage and hour law had hoped for.

Much has been said about the difference in the cost of living between the South and the North. I wish to read into the record an editorial which appeared in the September 28, 1938, issue of the "Columbia Record," a daily newspaper published in Columbia, South Carolina. It represents the unbiased view of honest Southerners.

"The often repeated statement that wages are relatively low in the South because it costs less to live in the South is fallacious in two important particulars.

"In the first place it does not cost less to live in the South than in the other sections of the nation. Unbiased students of comparative living costs have demonstrated this fact time and again. More than fifteen years ago Dr. Broadus Mitchell, of Johns Hopkins, showed in a thorough study that it actually costs less to live in a New England cotton mill village than in a similar village located in South Carolina. Six years ago Dr. Wilson Gee of the University of Virginia after a careful analysis of all the

facts concluded that the living costs of college and university professors was no less in the South than in the North and the West. More recently Dr. William F. Ogburn, of the University of Chicago, reached a similar conclusion.

"During the hearings in Washington for the purpose of establishing codes of fair competition under the old NRA, none of the facts indicated that the South had advantageous living costs. Differential wage levels were established under the recovery program, but they were not justified by differences in the cost of living.

"It is undoubtedly true that Southern wage earners spend less for living costs than workers in the North and West, but it is not due to lower costs of living. It is simply because they have less money to spend.

"In the second place the cost of living does not govern the amount of wages paid. Many factors enter into wage determination. The skill of workers, the supply and demand of labor, the bargaining power of labor groups, the abundance of raw material, the amount of machinery used, and the nature of the industry are all important considerations. The cost of living does have some effect on the bargaining power of labor groups, but the influence is indirect and frequently ineffective.

"Wages are lower in the South than in the North and West. The figures indicate this clearly. But the cause is not lower living costs. This fact must be more fully recognized by those who seek to lead in raising the level of living in the South."

There are no real differences in the cost of living between the Northern and Southern textile communities. Recent surveys by the Works Progress Administration and by the United States Bureau of Labor Statistics, confirm this fact. The textile worker is badly in need of more income. He has been, and is, in the depths of

poverty. Only increased earnings can lift him above this.

Besides being paid low wages, the textile worker's employment has been intermittent and irregular. Regular employees in the cotton mills have, during the past few years, received only intermittent employment. Southern cotton mill employees earn annually less than do cotton mill employees in the North. The United States Census of Manufactures reports that during the year 1937 the annual earnings of cotton mill workers in the North were $873.00, whereas, in the South, they were only $702.00.

At the present moment the print cloth manufacturers in South Carolina generally have agreed to a curtailment program, whereby their production will be reduced by 25% for the next three months. There is no provision in this plan to maintain employees' earnings for the shorter work week which these print cloth manufacturers are imposing on their workers.

This is a most propitious moment to increase earnings of workers in the Southern cotton mills to compensate for this curtailment. If employers are attempting to place their industry on a sounder basis, it is only proper that they should place the earnings of their workers on a sounder footing to provide a better standard of living. Let the textile employers learn a lesson from 1934. During that year, employers failed to increase wages to offset the reduction in hours and an industry-wide strike was precipitated.

Employers with whom I have negotiated, in both large and small mills, have insisted that they are willing to pay higher wages; and that they want to see the day when Southern textile wages will be increased. They have given free lip service to the ideals of more money in the pay envelope of the worker, higher hourly wages and enhanced mass purchasing power. They have insisted that they do not object to paying decent wages, if their

competitors would do likewise. We regret to observe that a number of them are being listed as opponents of the proposal for a universal 32½¢ wage for the Cotton Textile Industry. They now will testify that the proposed minimum will be ruinous to them. In our negotiations they repeatedly insisted that such a minimum would be acceptable to them if it were made universally applicable and we cannot but question the sincerity of their presence at this time in view of our past experiences.

We feel certain that the proposed 32½ cents minimum wage will have immediate constructive results. It would inject a degree of stabilization in the industry which employers by themselves are unable to achieve. Without such stabilization, too many employers think only in terms of undermining their competitors and give no thought to putting more workers in the lines of the unemployed. This program of universal and uniform minimum wage, furnishes a partial solution to the industry's problem.

There cannot be any doubt that employers can pay the proposed minimum. The NRA proved that the industry could absorb a much larger wage increase. In fact, the wage increase in the South during the NRA was at least 12 times greater than that which is now being considered. Moreover, the industry generally observed a 33 cents minimum wage in the South for more than a year, beginning in the Spring of 1937 and ending in the Summer of 1938. This minimum was considered by most employers to be economically sound and was departed from most reluctantly by all legitimate employers. Many of them, both publicly and privately, lamented the fact that low wage competition compelled them to return to the lower wage standards.

From my observations, I am convinced that the adoption of a 32½¢ minimum wage, will itself cause no substantial changes in the equipment or conduct of most

mills; in the displacement of mills; nor in any substantial unemployment that would not otherwise result from causes other than this minimum wage.

I wish to emphasize that low wage mills are not necessarily low in efficiency. Some of the most efficient mills I know of, pay low wages. In Bulletin #663 issued by the United States Department of Labor, Mr. Hinrichs concludes after an extensive study of Southern cotton mills, that low wage mills frequently can achieve an average or better than average output per man-hour, and hence achieve extremely low labor costs. This conclusion obtained from a statistical investigation, is confirmed by my direct observations in the Southern cotton textile mills.

Those mills now paying relatively low wages, require relatively few changes in order to maintain for themselves a competitive advantage in the industry.

We wish to observe, with respect to the much discussed question of obsolete equipment, that much of it represents idle equipment which stands by in many textile mills ready for use during peak periods of production, and not regularly employed by these mills for their normal needs. During the 1937 peak of production, much of this equipment was used and many of those concerns reaped huge profits from its operation. Moreover, many mills, particularly some carded yarn mills, resumed operations during the years 1936 and 1937 after long inactivity and ceased operations as this peak demand decreased.

This is conclusive evidence that many mills have only a precarious position in the industry, and that the closing of such mills would be the result of factors other than the 32½ cent minimum.

It is necessary for us at all times to think in terms of the benefits to the employees and the industry. The chiseler in the industry who was temporarily restrained during the NRA still remains the bane of the industry.

He is the employer who undersells the legitimate manufacturer by constantly threatening the price market. He is the man who under-pays and over-works his labor. He is the employer who makes it less possible for the legitimate manufacturer to pay higher wages and provide better working conditions for his employees. We must find some method of dealing with such types of employers. They destroy the stability of the industry and eliminate its profit; and they prevent profits in the industry. To tolerate the continuance of these chiselers is to perpetuate the chaos in the industry and further handicap the legitimate manufacturer.

It is my firm belief that the continuance of low wages in the industry will continue to threaten the existence of employers who now pay a wage scale equal or in excess of the wage which is proposed. The choice we face is whether we will permit the low wage mills to undermine conditions in the bulk of the industry, and empty the higher wage mills, and destroy those employment opportunities; or whether we shall protect the legitimate manufacturer from the ravages of the destructive competition initiated by the chiseling employer. We firmly believe that it is in the interest of the Southern employer and worker to prevent the chiseler from continuing his demoralizing practices. The legitimate employer wants to protect his employees. Moreover, the South will enjoy lasting benefits by protecting the legitimate employer. The Wage and Hour Act and the 32½ cent minimum wage afford this opportunity.

Technological changes in the industry have been going on since the industry was first mechanized. Employers are constantly making changes. New machines are being introduced and changes on old machines are constantly being made. Production per man-hour has been rising. From 1933 to 1937 production per man-hour rose by 23%. From 1928 to 1936 production per man-hour rose 49%.

Employers are constantly increasing production per man-hour. This process is observable everywhere.

The Southern Cotton Textile workers, on the basis of the above conclusion, are today entitled to at least 48.4 cents if they are to be compensated proportionately for all the increases in productivity since 1928 on the basis of their 32.4 cents hourly earnings in 1928. I believe that the proposed minimum of 32½ cents will not seriously change the rate at which management has been introducing new equipment and new methods of production. The intense competition which now exists in the industry has compelled all manufacturers who wish to survive to keep abreast of all recent technological developments. We believe that the proposed minimum wage is completely justified and no differentials should be tolerated. Under the present proposal, wages in the Northern cotton textile mills will continue to be higher than those in the South, until Southern textile workers, through their organized strength, are able to attain equal bargaining power with their employers.

Besides this wage advantage, employers in the South enjoy lower labor cost because of the higher productivity of Southern textile workers. Work assignments in the South are, on the whole, greater than they are in Northern mills. I have made detailed comparisons between work loads of Southern cotton textile workers and Northern textile workers in mills producing comparable products and under comparable conditions, particularly in the combed yarn and fine goods divisions of the industry. The comparisons prove, quite conclusively, that the Southern textile worker is required to produce more per hour at a lower wage than is the Northern worker. This survey convinces me that it is grossly false to charge Southern textile workers with being inexperienced or less productive than Northern textile workers.

The above analysis indicates that a 32½ cent minimum wage will only establish more nearly normal parity

between Northern and Southern cotton textile workers. In fact, Northern cotton textile workers will continue to earn more, and enjoy a higher minimum, and will be required to do much less during each hour worked than the Southern cotton textile workers.

Those who oppose the majority report of Industry Committee No. 1, either in person or by proxy, are included among those who have been most vociferous in their condemnation of the President's designation of the South as "Economic Problem No. 1". These opponents and critics have publicly demanded that the South be described as "Economic Opportunity No. 1".

The textile minimum wage now under consideration presents itself as "Opportunity No. 1", by which the textile workers of the South may be lifted to an economic status more nearly on an equal basis with the textile workers of other sections, and to a wage level nearer the wage level of other industrial workers of the South.

Those who refuse to accept this opportunity lend encouragement to a continuation of the South as "Economic Problem No. 1".

Q. Mr. Christopher, I would like to ask you the same question that I addressed to Executive Vice-President Baldayzi in Washington, for the benefit of counsel or members of the Industry Committee who were not present in Washington at the time he responded to that question. I want to read you a portion of Section 8 (f) of the Fair Labor Standards Act, and then ask you a question based upon that section. Section 8 (f) reads in part as follows:

"Orders issued under this section shall define the industries and classifications therein, to which they are to apply, and shall contain such terms and conditions as the Administrator finds necessary to carry out the purposes

of such orders, to prevent the circumvention or evasion thereof, and to safeguard the minimum wage rates established therein."

Now, I should like to ask you, Mr. Christopher, whether, in your opinion, if the Administrator accepts the recommendation of the majority of the members of the Committee, his order should contain, in addition to the 32½ cents minimum wage requirements, any further terms and provisions to prevent the circumvention or evasion of that order?

A. I do think that the order should contain a requirement that definite lunch periods should be allowed the workers during a shift, and that the employers not be permitted to require eight hours of work and only pay an employee for seven hours, as has been going on in some cases,—one that I know of particularly, where employees were required to rest 15 or 30 minute intervals during the eight-hour day, and he goes out during those intervals.

Q. And he is not paid for those intervals?

A. No, sir.

Q. How about the problem of waiting time, that is, time spent by a worker while waiting for repairs to a machine, or waiting for work to be brought up for processing?

A. I think that they should be paid at the regular rate for waiting time.

Q. Are you familiar with the so-called split-shift?

A. Yes, sir, it is practiced in some places on a small scale.

Q. What is the split shift?

A. The split-shift, as I understand it, applies to only certain workers who would go in four hours after the first shift has gone to work, and work four hours beyond the time that the first shift leaves work.

Q. Do you believe that any order issued by the Administrator should make any provision with respect to that situation?

A. Off hand, Mr. Abt, I do not know of any equitable way it could be applied, in fairness to all.

Q. As I understand, your present opinion is that the order of the Administrator should make provision requiring the payment of at least the minimum wage for waiting time, rest or relief periods and further, to provide a single specified lunch period, which might not be paid for, and to require the payment to the worker for all other times spent in the plant, or during periods so short that he hasn't time to do anything else except hang around the plant to be recalled to work?

A. Yes, sir, that is correct.

Q. Are practices of the kind that you believe should be prohibited by this order, prevalent in the industry at the present time,—that is, failure to pay for waiting time, and failure to pay for rest periods, the dismissal of workers for brief intervals, and the failure to pay them during those intervals?

A. Did you ask me if it was generally prevalent?

Q. If those practices are prevalent at the present time?

A. I don't think that they are generally prevalent, but there are cases where such practices are going on.

Q. Suppose that the order of the Administrator contains no prohibitions of the type that we have been discussing, do you think that practices such as those would increase or decrease, or would they remain about the same?

A. Well, there is a certain element of employers who will always try to evade, and unless there was some such provision, those who have not yet adopted such practices, I suppose it is safe to say, would be likely to do so.

Q. You have had some experiences under the NRA, have you not, Mr. Christopher?

A. Yes, sir.

Q. What did you find then, in respect to devices such as those, and similar, to try to attempt to evade the 30 cent minimum required there at that time, or the 32½ cent minimum in the North,—was there any increase in the use of those practices?

A. No, sir, at first, the NRA was generally observed in those localities that I had occasion to know of.

Q. But we do feel that the 32½ cent minimum would give rise more than ever to the use of those practices, than what are in use now, is that correct?

A. Yes, sir, because we know that those things are in existence now.

Mr. Abt:

That's all. Cross examine.

Administrator Andrews:

May I ask a question?

Did I understand you to say in connection with the split-shift, that you considered a split-shift to be that certain men come on after the regular shift and work for four hours more?

The Witness:

Yes, that is one way, as I understand that, Mr. Administrator.

Administrator Andrews:

These are different men than were working on the regular shift?

The Witness:

Let me give you a hypothetical example:

Say we have two eight-hour shifts, and the first began work at 6 a. m. and stopped at 2 p. m., and the second begins at 2 p. m. and stops at 10 p. m., and there may be two sweepers, we will say, now, and it is possible that they remove one of the sweepers and split the shift by requiring the other sweeper to come in, say, at 10 o'clock in the morning and work to 4 in the afternoon.

Administrator Andrews:

Within the same 24 hours, he comes back again with a four hour hiatus in there,—is there anything like that?

The Witness:

No, he works part of both shifts, don't you see?

Administrator Andrews:

But there is an intervening period during the day?

The Witness:

That doesn't necessarily mean split-shifts.

Mr. Abt:

Maybe I can help you out in the explanation of that by asking a few questions here.

Administrator Andrews:

All right, proceed.

By Mr. Abt:

Q. Are there any shifts of this sort, where a worker reports on the job, say, at 6 o'clock in the morning and works until ten o'clock, which is four hours, and then he goes off of that shift, and another shift comes on, say, at ten o'clock, and works eight hours, from ten to six, and then the same worker who worked four hours in the morning comes back on to work at ten in the evening, and

he works—I mean that he comes back on at six in the evening, and he works to ten, and that makes up his eight hour shift, but it is split into two sections of four hours in the morning and four hours in the evening,—are there such situations in the industry as that?

A. Not just as you have described it, Mr. Abt,—that I know of. There are examples of this kind: That the worker who has formerly done his work in eight consecutive hours, during the eight hour period, normally found about an hour's rest, at 15 minute intervals, and the employer would take him off of the payroll for these fifteen minute intervals and send him out of the plant, and pay him for only seven hours, although he is required to be there eight hours, and he works from six to two in the morning to get paid only for seven hours, but he is out of the mill for fifteen minutes on four different intervals in that eight-hour period.

Mr. Abt:

Anything further?

Administrator Andrews:

Nothing further. Is there any further examination of this witness?

Cross Examination.

By Mr. Taylor:

Q. Mr. Christopher, did you state that the increase in labor cost under the NRA was twelve times what that would be under this proposed minimum?

A. Twelve times what is under consideration now.

Q. Would you tell us what is the basis for that conclusion?

A. As I recall it, it is this—the earnings went up 73 per cent when the NRA first went into effect, and now it is proposed that they will go up about 6 per cent.

Mr. Abt:

Just one moment, I think that for the purpose of clarifying the record—by the use of the word "this", the witness meant Bulletin No. 663 of the Bureau of Labor Statistics.

Mr. Taylor:

Yes.

By Mr. Taylor:

Q. Mr. Christopher, if you could find that reference, I would appreciate it, and I wouldn't question you any further about it.

Mr. Abt:

If you will go on with your other examination, we will find that for you, Mr. Taylor.

Mr. Taylor:

That is the only question that I have, Mr. Abt.

Administrator Andrews:

Are there any further questions of the witness?

(No response.)

Administrator Andrews:

The witness is excused, pending the investigation of the Bulletin by the attorneys.

Mr. Abt:

Off the record.

Administrator Andrews:

Off the record.

(Discussion had off the record.)

Mr. Abt:

Perhaps you had better step down.

(Witness excused.)

B. F. THOMAS.

Direct Examination.

By Mr. Borkein:

Q. Give your name to the reporter, Mr. Thomas?

A. B. F. Thomas.

Q. Mr. Thomas, have you given your full name to the reporter?

A. Yes, sir.

Q. Well, what is it? I didn't understand you?

A. B. F. Thomas.

Q. Where do you live?

A. Douglasville, Georgia.

Q. How long have you lived in that town?

A. This time, about eight years.

Q. Where did you live prior to that time?

A. In the country, on the farm, up near Bremen and Buchanan, Georgia, I lived about two years, about five miles from Bremen, Georgia, and in 1930, I lived about four miles from Buchanan, on a different farm.

Q. Which mill are you working in now?

A. In the Beaver Mills, the Lois Mill.

Q. About how many employees are there in this mill?

A. There are possibly 200 or upwards,—I couldn't say positively.

Q. About how long have you worked in this mill?

A. This time, I have worked about eight years last February,—I went to work in that mill last February was eight years ago.

Q. How long have you been working in the textile mills?

A. For about 25 years.

Q. What is your regular occupation, Mr. Thomas?

A. My regular occupation was weaving, but through the stretch-out, I have been reduced to filling batteries.

Q. How long had you been doing weaving?

A. About approximately 15 years.

Q. How long is it that you have become a battery filler, Mr. Thomas?

A. About 1934, after the National Strike, along in October, after the Strike in September.

Q. When you were weaving in this mill, how many looms did you tend?

A. Well, at that time, I was running 24 looms with a battery filler and someone to take off cloth, you know, I ran the looms and did my own picking out, and someone taken off the cloth.

Q. This was before the NRA?

A. Since the NRA.

Q. Since the NRA?

A. Yes, sir.

Q. How many looms did you tend before the NRA?

A. Well, it was about the same thing in that particular style of goods.

Q. How much money did you earn per week before the NRA?

A. About $8.70, approximately, per week, for 60 hours.

Q. How many looms did you tend then?

A. Forty-four of the same kind.

Q. And you were weaving what kind of cloth?

A. A heavy broadcloth, about 60 picks, 60 by 100, I think, was the style.

Q. Were your wages increased at the time of the application of the NRA?

A. Yes, sir.

Q. What were your wages then?

A. My wages on that same set of looms, I ran that set of looms for two weeks after we went under NRA, and then I taken them back again later, and I made about $13.50 per week.

Q. How long did you continue to weave on that set of 24 looms?

A. It was a long time; I wove from—I will tell you—about '34, right after the NRA went into effect, after the first two weeks, I went to filling batteries, on account of the stretch-out.

Q. When that stretch-out came, when it took place, how many looms did the weaver tend then?

A. About, the best that I remember, about forty to fifty-two looms.

Q. How many looms did a battery-filler tend?

A. Fifty-two.

Q. Fifty-two?

A. Yes, sir.

Q. And how much did a weaver earn for those fifty-two looms?

A. He earned about—that was 24 and 28 looms,—a 28 loom weaver at that time made about $16 per week, under the NRA.

Q. And a battery filler?

A. He made $12 under the NRA, but before the NRA, he made $5.70.

Q. What was the first stretch-out, or when was the first stretch-out after the NRA?

A. Well, it was immediately after this one was put in—that lasted quite a little while—but that style of cloth went off in two or three months, and then we went back to the same grade of cloth, and the same amount of looms, and all.

Q. How many looms did the weaver in your mill operate in 1935?

A. After they started up, after that shut-down, the 24th of July, they started up on the 15th of October, with a stretch-out from fifty-two looms to 65 looms, and approximately 25 per cent machine load increase, at the same wages.

Q. In other words, a weaver, after the stretch-out in 1935 was earning about $16 per week, tending how many looms?

A. About 52 looms.

Q. And then how many looms?

A. Do you mean after the stretch-out, or before?

Q. After the stretch-out?

A. After the stretch-out, 65 looms, and he made about $15.50, about an average of $15.50.

Q. How many looms did they handle?

A. 65.

Q. Has there been any stretch-out since?

A. Yes, sir, one recently.

Q. When did that occur, and what did that consist of?

A. Ten more batteries, making 75.

Q. Ten more batteries were added for the battery filler?

A. Yes, sir.

Q. How many looms does the battery-filler now tend?

A. 75.

Q. How much does he earn?

A. $12.

Q. Are you a battery filler?

A. Yes, sir.

Q. Do you get $12 per week?

A. I do on forty hours.

Q. Are you working forty hours now?

A. No, sir.

Q. How many hours are you working now?

A. Thirty hours per week, six hours per day, and five days per week.

Q. How recently were your hours reduced to 30 per week?

A. This is the second week.

Q. Has your employer told you why he has reduced your hours to thirty per week?

A. No, sir. They are getting orders, but I have been reduced.

Q. They are getting orders, but you have been reduced?

A. Yes, sir, there is a window in the mill—my wife uses it now, I am on the second shift now and I can't see so much on the outside as to what is going on, but when I was on that other shift, I could see outside to see what they were doing, and I know that they are shipping cloth now.

Q. The mill is shipping cloth now?

A. Yes, sir.

Q. Mr. Thomas, how many members are there in your family living at home now?

A. Seven now.

Q. How many were there at the time of the NRA?

A. Ten.

Q. What are the three that have left your home doing now?

A. Two are married, and one of the girls is married, and she lives near Bremen, Georgia, and she works in the Sewell Manufacturing Company.

Q. How many members of your family now work in the mill?

A. Two, me and my wife.

Q. Are there any other persons in your family that earn any income?

A. No, sir.

Q. How much money did you earn last year, Mr. Thomas?

A. Well, I worked about eight months, considering all of the short time, and I earned approximately $417.60.

Q. How much did your wife earn last year?

A. The same as I, but she had to pay her cook and housekeeper $3 per week.

Q. What did she spend that $3 per week for,—what did this housekeeper do?

A. She did the cooking and looking after the children before and after school hours, and cleaned up the house.

Q. Mr. Thomas, the total earnings of yourself and your wife during last year was approximately about $840, is that correct?

A. That is about it.

Q. And it took about the sum of about $100 which was paid to a maid to take care of your children, is that correct?

A. Yes, sir.

Q. While your wife was in the mill working, is that correct?

A. That is about correct.

Q. Now, you have total weekly earnings when both your wife and yourself are employed in the mill, of about $24 per week, is that correct?

A. Yes, sir.

Q. What does your wife do in the mill?

A. She does the same thing that I do, she is a battery filler. She is a weaver by trade, but she has been reduced to battery filling on account of the stretch-out.

Q. Both of you are weavers by trade, is that correct?

A. Yes, sir.

Q. But you are both working as battery fillers at the present time?

A. Yes, sir.

Q. And you were both demoted from your weaving position on account of the stretch-out system, and you were put to doing the work of a battery filling job?

A. Yes, sir.

Q. During the last year, Mr. Thomas, during this last year, you spent approximatel, what amount of money on your weekly food bill?

A. Oh, about $11, or it might possibly have went more, but that is approximately it.

Q. Of the total earnings of $24, you spent about $11 on the food bill for your family, is that correct?

A. Yes, sir.

Q. What do you eat?

A. Well, you know, we eat a lot of those old beans, Great Northerns, and we have some canned stuff, we have a little streak-of-lean, and sometimes we have green beans, you know, these string beans, occasionally, they have gone down to ten cents a gallon now, and we can eat more of them now than we could before.

Q. Do you drink much milk,—does your family get much milk?

A. We buy it on credit.

Q. How much do you usually have per week when you are earning $24 per week?

A. Well, we get three quarts of buttermilk and a pint of sweet-milk, and there is approximately then, three and a half pounds of butter in a week that we get.

Q. What foods do you have during the winter months, Mr. Thomas?

A. Mostly dry.

Q. Do you have any fresh vegetables in the winter months?

A. Yes, sir, occasionally we have ripe tomatoes, and occasionally a head of lettuce, bnt that is rarely, because we can't afford it.

Q. Do you have a patch of ground about your home, to do some gardening in?

A. I do, if I wasn't worked to death when I got home.

Q. You have a patch of ground, but you can't find time or energy to work it, is that correct?

A. That is the fact. I need my energy for my job in the mill. My job is a real job.

Q. You can't find energy, then, to grow your own vegetables, and anything of that kind, or things that you might use that you could grow in your garden?

A. No, sir. Back two or three years ago when the NRA was in its heights, I could garden a little bit then, but my load was lighter, but now the load has gotten heavy, and it takes my energy. I have to save it for the mill.

Q. How much rent do you pay?

A. $1.15 per week.

Q. How many rooms do you have?

A. Four rooms.

Q. In other words, you spend about $11 to $12 per week on your food bill, for whatever you can get?

A. Yes, sir.

Q. And you pay $1.15 per week for rent?

A. Yes, sir.

Q. And how many rooms do you have in your house?

A. I have four rooms.

Q. What is the condition of your home?

A. Well, the windows are not tight, and they don't fit, the sashes don't fit on the sills, and the door jobs, they don't fit up properly, there are cracks that you can put your hands through, and the house has got a good roof and a good floor, but the doors are open and the windows.

Q. What about—do you have any running water in your house?

A. Yes, sir, we have running water, but for the past year, they have been cutting the water off around 12 o'clock noon until about five or six p. m., and then about eleven or twelve p. m. until 4:30 a. m. the next morning.

Q. Do you have any rest rooms?

A. Yes, sir.

Q. Where are they located?

A. On the porch.

Q. Do you have flushing water devices in them?

A. We do when the water is not cut off, but when the water is cut off, that is down.

Q. Do you have any screens in your home?

A. Yes, sir, but I bought them on a credit.

Q. The company didn't furnish those to you with your rent?

A. No, sir.

Q. What about the pillars of your home?

A. They are in bad condition too.

Q. How much furniture have you in your home?

A. Well, we have three old iron bedsteads and mattresses, and maybe a feather-bed and some few sheets and a few blankets bought on a credit.

Q. Mr. Thomas, have you got any electrical equipment in your home?

A. Well, we had electric lights, we have electric lights, but we don't have no frigidaire and no radio, we have an electric-iron, and I think that we have two light-bulbs now, from two to four light-bulbs, about sixty watts per bulb.

Q. What is your electric bill?

A. Well, sir, it will run about $1.50 during a part of the year, and the other part it will run about $1.20 per month.

Q. Do you have an electric washer?

A. No, sir.

Q. The only electric equipment that you have in your home is what,—how many bulbs did you say?

A. Two, at the present time. We usually have four electric light bulbs, but two of them burnt out about two weeks ago, and we have not replaced them yet.

Q. Have you been able to get enough money to replace them?

A. Not hardly, we find a need for that money.

Q. Do you have any window curtains or window shades in your home?

A. Yes, sir.

Q. Who furnished those to you?

A. We had to.

Q. Mr. Thomas, has your family visited—have any members of your family visited a doctor recently?

A. I don't recall anytime this year.

Q. When was the last time that any member of your family visited a doctor?

A. Last year—last year, I believe it was, we called a doctor for the little girl, with a crick in her neck, the baby, that is the last time that I remember.

Q. Do you recall when the previous visit was?

A. The birth of that baby, I think.

Q. How much was the doctor's bill on that last visit?

A. $1.50 for the crick in her neck.

Q. Are you still paying that bill?

A. Yes, sir.

Q. How much do you owe your doctor?

A. Oh, approximately about $15 or $20.

Q. How long has that bill been accumulating?

A. That bill started in 1932,—it must not have been fully paid,—it would get down to four or five dollars, you see, and then I would have to go in again.

Q. How long has it been since a member of your family has visited a dentist?

A. It has been a good while; sometimes the school dentist visits the children, you know.

Q. Do any members of your family need dental care?

A. Yes. My wife had that front tooth pulled, and she didn't have a crown put on it, it was in bad shape,

you know, she needs a bridge, and she went up and the dentist pulled her tooth, and she asked about what it would cost to bridge that, and he said it would cost about $12, I believe that was the amount, and he wanted some cash down on it, and we didn't have it, and we told him that when we got able, that we would come back and let him bridge that, but we haven't gotten able to do that yet.

Q. In other words, you haven't got that dental care?

A. No, my wife hasn't had that dental care yet, and I need glasses too, but I can't get those.

Q. What is your usual expenditure on wood and coal for a year?

A. Oh, just buying long slabs, by buying those, I can get my wood and coal for about $45.15 per year.

Q. Mr. Thomas, what about your home, does it protect you well during the winter weather?

A. It is kinder cool in the winter time, you know, it gets pretty cold in there during cold times. We have got a good roof on the house, but those doors and windows causes quite a lot of air to come in in the winter time.

Q. How much money did you spend last year on shoes for members of your family?

A. Well, approximately about $1 per week.

Q. What did you—what shoes did you buy for the members of your family last year, and what did they cost?

A. The children bought about three pairs around, ranging about $1.50 a pair, and my wife and myself bought about three pairs apiece, at about $3.50 to $4 per pair.

Q. Mr. Thomas, how much did you spend last year on clothes for members of your family?

A. Well, I would roughly approximate about $1 per week for clothing.

Q. For your children and yourself?

A. Yes, sir.

Q. And did you buy any clothes for yourself, last year?

A. Shoes and shirts and overalls,—no suit, though.

Q. How old is your suit, Mr. Thomas?

A. It is two years old.

Q. And you bought no suit last year?

A. No, sir.

Q. How regular was your employment last year, Mr. Thomas?

A. Oh, it was very irregular, up until July 25, it was three days through January, lost a week in February, and was three days in the remainder, and then three days in March, all through March, three days, and two weeks in April, and shut down until May 9, and then two weeks on reduced wages, and closed down after two weeks, and re-opened June 6 and closed the 10th until July 25.

Q. How much money do you owe different people at the present time?

A. I imagine about $100.

Q. Who do you owe the money to?

A. I owe my grocery man, I owe him from the shutdown last year, $13.08, and I have been paying him by the week, and been buying my groceries and paying as I go, since the mill started up.

Q. Do you owe anybody else?

A. Yes, sir, I owe a man out there, I just finished paying my coal bill last week, last Friday, and I owe a man for some dry-goods now, shoes and clothing, and dresses and such like for the children.

Q. Mr. Thomas, does your wife make the clothes for your children?

A. Most of them.

Q. Does she buy them ready-made, or does she make them herself?

A. She buys the cloth, and she makes the clothes herself, most of the time.

Q. You say that you owe about $100, is that correct, right now?

A. Yes, sir, doctor's bills and grocery bills—

Q. And some of those bills date back to 1932, is that correct?

A. Yes, sir.

Q. How old are you, Mr. Thomas?

A. I was forty-eight years old on my birthday, which was the 29th of April of this year.

Q. How many boys have you now at home?

A. I have two boys.

Q. And how many girls?

A. Three.

Q. And what is the age of your two girls?

A. The oldest girl will be 13 in July, and I have twins, a boy and a girl, that will be 11, they were eleven, in fact, in April, on the 22nd of April.

Q. And your boys?

A. Well, one of the boys, and the girl, those are the twins, and he was eleven in April, as I just said, him and the little girl.

Q. And the other boy?

A. And the other boy was younger, he will be eight on his birthday in August.

Q. What is the youngest child?

A. A girl.

Q. How old is she?

A. She was seven years old in January of this year.

Q. Mr. Thomas, how recently were you at a moving picture show?

A. I saw the picture called Black Fury, that was the last picture show that I went to.

Q. And when was that?

A. It was in the latter part of 1935, or the early part of 1936, I am not quite sure about that,—I disremember, now.

Q. Do all of your children go to school?

A. Yes, sir.

Q. In town?

A. Yes, sir, they have to now.

Q. How many months during the year do they go to school, do you recall?

A. I know they stopped their schools this time on account of lack of money to pay the teachers, and they went until it stopped, and then it resumed again, and they went on six more weeks, I believe it was, and they went the remainder.

Q. And what is the highest grade that any of your children have reached in school, Mr. Thomas?

A. My little girl, the oldest one at home, she completed the sixth grade this term.

Q. Did you ever visit any place outside of the State of Georgia?

A. Yes, sir, twice when I was hunting a job.

Q. Did you—how many times have you left your town during the last year?

A. Once.

Q. When was that?

A. That was about two weeks ago or three weeks ago, that I went over to visit my wife's father.

Q. And how far did you travel then?

A. About twenty-five miles.

Q. Tell me about the conditions in the village in which you live, Mr. Thomas, what about the lawns in the village?

A. Well, we haven't any lawns.

Q. What about your pavements in the village?

A. Very little pavement.

Q. What is that?

A. We don't have any.

Q. What about the lights in the village?

A. We have two or three lights on Main, that is Cooper Street.

Q. How many streets are there in your village?

A. Approximately seven or eight.

Q. How many homes are there in your village, do you know, Mr. Thomas?

A. It seems to me about 87, as best I remember.

Q. Who owns those homes?

A. The company.

Q. Who controls the town, Mr. Thomas?

A. Well, the company, too, I suppose.

Q. What about the waste water in your town, Mr. Thomas, what happens to it?

A. If you have any dishwater, you have got to throw it out around the edge of the yard or out in the street. There is no garbage can or nothing like that to put the waste in.

Q. What happens to the overflow of water in the mill?

A. Well, they haven't got any scrubbers to take care of it. They have one scrubber in the old mill.

Q. Mr. Thomas, where is some of the water for the humidifying system coming from?

A. Oh, that that we drink, and that overflow water they tell me goes back in there and is taken up through the humidifier, and back into the mill, and is taken up in the humidifier and comes back through the mill.

Q. Is there any regular collection of garbage in your village?

A. No, sir, not what you—the City hauls off whatever trash, cans, and grass and weeds that we might pull up and put on the streets. If we pile it out on the streets they haul it off.

Q. How frequently is it collected?

A. About twice a week—I mean about once every two weeks, instead of twice a week.

Q. Mr. Thomas, where is the waste from the slasher room emptied?

A. Oh, we have got a branch that runs down there about,—oh, maybe ten to—

Q. What do you mean by "branch", a little river, rivulet, creek?

A. A little stream like, you know, a little branch that empties into another little branch or stream.

And there is a sewage that empties from the slasher room into this branch and all that size poured into there comes down that branch, and there is about twelve or thirteen families that live as close as from ten to thirty-five or forty yards of that branch. And it produces a terrific odor in extreme dry times, especially. And I have seen this thing when it would stay ponded up for days. In fact when it gets ponded up it stays until it rains, it doesn't matter how long that is. There is no other way to get rid of it.

Q. Mr. Thomas, from your observations and knowledge of your fellow workers in the village, what is the condition of health of some of your fellow men there?

A. Well, I would consider it poor.

Q. Are there any fellow men in your village there who have tuberculosis?

A. According to reports of X-Rays they have. Some have been X-Rayed and they say the X-Ray shows up that they have T. B.

Q. Mr. Thomas, what about the conditions in your mill, are they very sanitary?

A. I think it is very unsanitary.

Q. What about the rest rooms?

A. They stay wet lots of times, the floors, and sometimes stop up and overflow.

Q. Mr. Thomas, you have told about your own conditions in Douglasville. Do you consider that the condition under which you have been living and working is quite generally true for the other people living in the village and working in the mill?

A. Yes, sir.

Q. Do you think that there are very many exceptions?

A. Very few, if any.

Q. Mr. Thomas, you have seen all of the homes in Douglasville, have you not, at least the outside of most of them?

A. Yes, sir, and been in many of them.

Q. What is that?

A. I have been in many of them.

Q. Have you ever been in the homes of some of the foremen and overseers?

A. Not very recently.

Q. Do they on the whole look better than yours?

A. Well, I think they look quite a lot different now. Of course those homes are somewhat dilapidated, even the overseers'.

Q. How old is your home, that is, when was your home place built?

A. Well, the mill opened up about 1908, in the late summer or early fall.

Q. Has the company made any changes in the construction of your buildings since?

A. No, sir, nothing—

Q. Have they repaired the pillars of your house?

A. They done some little work possibly like that, repaired the porch and made some repairs on the pillars.

Q. What is the condition of the pillars of your house now?

A. Well, they are bad, some of them are cracking, you know.

Q. Mr. Thomas, were you able to vote last year?

A. Yes, I borrowed the money and voted, paid my taxes.

Q. Have you paid your poll tax this year?

A. No, sir.

Q. Do you want to vote this year?

A. I sure do.

Q. Do you look forward to having enough money to vote this election?

A. I don't know whether I am going to have it or not without I borrow it.

Q. What about the other fellow workers in the village, were they able to get up enough money to vote last year?

A. Lots of them didn't get to vote on account of it. I talked with some that couldn't make out.

Q. Mr. Thomas, have you had any difficulty in organizing the—are you a member of a union of the employees in the Beaver mill?

A. Yes, sir.

Q. Have you encountered any difficulty in organizing the workers in the mill?

A. Well, yes, sir.

Q. What difficulties?

A. Well, we have a good deal of trouble, you know, about the mill.

Q. Has the company discriminated against any of the workers?

A. Oh, yes, they fire one occasionally, you know, and scare one or two now and then, intimidate. We had visits by the Ku Klux Klan, supposed to be, last year.

Q. Has the Labor Board made any recent settlement with your company for the reinstatement with back pay of any worker in your mill?

A. Yes, sir, two.

Q. Do you recall how much back pay was paid that worker?

A. I presume they will get,—one will get $200 and the other $250 is my understanding.

Mr. Borkein:
All right.

Mr. Abt:
Just a few questions.

By Mr. Abt:

Q. You are a member of the Textile Workers Union of America, are you not?

A. Yes, sir.

Q. How long have you been a union man?

A. Since I joined in September, 1933, as a charter member.

Q. And you came here today to testify because your union asked you to come?

A. Well, yes, they invited me to come.

Q. The union asked you to come and testify?

A. Yes, sir.

DR. WITHERSPOON DODGE.

Direct Examination.

By Mr. Abt:

Q. Will you state your full name?

A. Witherspoon Dodge.

Q. Where do you reside?

A. Atlanta, Georgia.

Q. Where were you born, Dr. Dodge?

A. Jacksonville, Florida.

Q. Have you spent all of your life in the South?

A. All but perhaps two or three months traveling a little in the North.

Q. Whom are you here representing today?

A. The Textile Workers Union of America.

Q. What is your connection with that organization?

A. Southeastern Representative.

Q. How long have you held that position?

A. Since April, 1937.

Q. Will you tell us briefly what your experience prior to that time was? It is hard to condense a whole life into a very few words, but just a brief statement?

A. How far do you want to go back, a half century?

Q. What was your occupation?

A. I was in the ministry, in the church, until 1931. Perhaps I can start by coming to Atlanta in 1921, and teaching in the Atlanta Theological Seminary until 1923.

In 1923, I became pastor of the Central Congregational Church of Atlanta, and remained until 1931.

In 1931, I went to Oglethorpe University and taught Sociology and Philosophy until 1934.

From 1934 to 1937, I was pastor of the Radio Church, my old pulpit is just over to the left (indicating), when WGST occupied that space.

In April, 1937, when the Textile Workers Organizing Committee was formed, I associated myself with them.

Q. As a minister of the gospel, have you had any interest or concern prior to your association with the Textile Workers Union of America with economic and social conditions in the South?

A. In my preaching I frequently, very frequently, emphasized the social implications of the teachings of the Hebrew prophets and of Jesus, and was a frequent speaker at the Labor Temple and with labor groups.

Q. What have your duties been with the Textile Workers Organizing Committee and then subsequently the Textile Workers Union of America?

A. I first went to Columbus, Georgia, in May, 1937, and remained there until October, the latter part of October, and then covered the entire South from that time

on, North and South Carolina, Georgia, Alabama and Tennessee, all of the Southeast rather.

The interests were with the workers, in organizing them, addressing meetings, visiting in their homes, associating frequently with them also in negotiating with the management of the mills.

Q. Would you like to make any estimate of the number of workers whom you have seen and talked to since the time of your association?

A. That would be a pure guess. I might say 100,000, I might say 200,000, and I wouldn't know which was correct.

Q. Are you familiar with the majority report of the Industry Committee No. 1?

A. I have read it, and also the minority report.

Q. In connection with those reports, have you a statement you would like to make here today?

A. I would be glad to perhaps mention the high lights of my experience in my contacts with the workers, and somewhat with the management of the industry.

Q. As it bears upon the recommendations of the majority report?

A. As it bears upon the recommendations of the majority report.

Q. Will you proceed?

A. I think I will start with a quotation from the National Emergency Council's Report on Economic Conditions in the South, because I have been asked especially to stress the social aspects of the minimum wage.

One of the statements in that report is the following:

"Low wages have helped little in the South. A low wage scale means low living standards, insufficient food for many, a great amount of illness and in general unhealthful and undesirable conditions of life."

I certainly have found that true in my rather wide experience in visiting the Southern textile centers. While I was in the church and somewhat before I left the church, I had about lost my faith in hell on rational grounds. However, after I got into the labor movement and came in close contact with conditions in the textile mills, I had my faith in hell restored. I have also wondered perhaps if there might not be a little hell hereafter to sort of equalize things. I don't know any better word to describe many of the conditions I have seen, if you view them objectively, from a purely human and humanitarian point of view, if you feel them subjectively as you come in contact with people living as many of these people are.

I have no desire whatever to exaggerate conditions. I doubt, however, though, if some of the conditions that I have been in close contact with could be exaggerated.

One of the first fields that I visited was less than 100 miles from Atlanta. The workers were there working 50 hours a week with an average pay of $7.50 a week. They had a payday every three weeks. They were charged 5 per cent a week if they received any advances on their pay. They traded at the company store where prices were anywhere from 10 to 15 per cent higher.

There were no streets in the village, they were just gullies, and these gullies were filled up with the garbage and trash from the mill.

I remember going into the homes where there was running water,—every time it rained. There was no running water, of the kind that we associate with spigots and faucets. The rooms in the homes were bare, the walls were bare, and the condition of poverty was terrible.

I remember one scene which impressed itself so vividly on my heart, as well on my mind that I suppose it will always remain there. A mother was trying to nurse

her baby from her thin and meager breasts, and there was no nourishment for the baby, and the baby of course in its lack of satisfaction for physical nourishment was giving expression to its feelings with expressions of pain from unsatisfied hunger and agony. And the father and mother then spoke of the condition, the reason for it, and said, "Of course you know when we get as little to eat as we do, there can't be very much formed there for the baby to live on".

I made it a point in going about the mill villages to eat in the homes of the workers, and frequently without invitation, though sometimes I have accepted an invitation, and when the preacher does there is something additional prepared. I had chicken sometimes when I was invited.

Then I have asked some of them if I couldn't just be at home with them and drop around as I was in town, and as most of our people are, they are hospitable and cordial and they said, "Just make yourself at home with us any time you desire".

When I would drop around on those occasions the food was very meager. I remember dropping around one time and waiting about a couple of hours and saying something about what about a little something to eat. They said, "We ain't going to have anything this meal, we are just having two meals a day now".

I have asked them about the food in many places where the wages were extremely low, and the singsong rhyme was, "Molasses, grits, cornbread and beans, and fatback".

I was amazed recently, though perhaps it has no direct bearing on this. One of our leading officials—not an official, but leading citizen, was saying, "We are going to have to get back to cornbread and molasses". Well, if one sees what that produces in the way of ill health, bad teeth, victims of disease that comes along because

there is no defense to resist it, he certainly hopes that what this man predicts we must come to will not be true.

I would not, however, stress simply the bad health, bad teeth and these results, but the fact that these people are losing so much of life that they should be enjoying. It is not merely the positive condition of suffering they are in, but there is a negative condition of being without the things that are so available for everybody if we can make such changes through the Democratic process in our economic set-up, as to make available for these people the bounties which a gracious God has provided, and which through technological and inventive genius of man can be turned out into wholesome and usable commodities for people to enjoy.

I think I will take a chance on saying this and hope I will get out alive after I have said it. I mentioned to one of the old workers in a textile center that I have just left to be here that I was coming, and he has the name of "Pop". Everybody calls him "Pop", and I said, "Pop, what do you want me to tell those big boys when I go up to Atlanta?"

Well, he says, "Doc, just pour it into them". Well, I said, "What do you mean by that?" He says, "Well, just pour it in to them, you know what it means to pour it into them".

I said, "Why do you want me to pour it into them?" Well, he says, "They poured it into me for over a half century and I want to get back at them."

I says, "What do you mean by that?" Well, he says, "I have been in debt all my life, I have just wanted so many things I never could have, I have been hungry so much, I couldn't give my children the education I wanted to,—of course,—didn't get any at all scarcely myself, I started in the mill when I was nine years old."

There is an illustration of what I am trying to talk about, what these workers are missing, as well as the

absolute suffering, of ill health that is their unfortunate lot.

I talked to another young married man in somewhat of a preparation for what I am saying here, and he said he wished I would stress that fact. He says, "When a fellow gets married, he wants to have a home", but he says, "Both of us have to work if we are going to have anything like the things we need in the home", because, he says, "Wages don't enable the man in the home to provide all of those things".

Then he says, "After awhile the children start coming", and he says, "I have two children now", and he says, "My wife has just had to work up until as near the time as possible and then as soon as the baby was born and she was able, had strength enough to go back, she had to go back and work again".

And he says after that it is so bad too, because there is then the home started, and he says, "Neither of us can be there with the children and raise them, we have to leave them with some negro girl or maybe with the neighbors, and then maybe we are on different shifts, and we are not there together at all", and he says, "That ain't no way to raise a family."

Then he became a little philosophical and said, "You know, they tell me that the home is the foundation of civilization". He says, "There are too many homes in America that if they don't have any better foundation than we do, we are on a mighty rotten foundation". He says, "I don't think we can produce the best children and best future citizens of our country under conditions in which too many of our children in the mill villages have to live".

It is difficult for me to restrain myself from philosophizing, just a little in view of the facts I have stated, but I will be just as brief as possible. I think everyone here is sufficiently open minded to know the difficulties of the task. I doubt if we are blaming individuals as

much as we are blaming defects in the system, defects and inadequacies in the system under which we are working.

I don't know of any way to improve that system except by changing it. And yet it seems to me that every change that is advocated finds resistance on the part of those who are more in control of the system than those who are not in control of it.

Our system manifestly is not functioning up to its adequate capacity, and those changes must be brought about.

It seems to me we are employing democratic processes by which to bring them about, and it is amazing to me that we should find resistance in our country to the organization of workers, because that it is a resistance to democracy. I don't see why the employers in our mills are not highly in favor of the organization of their workers. They are committing sins that will be visited on the children to the second and third generation. They are making the problems of democracy still harder for the children to come.

This increase in wages is a small thing and I am not dealing in figures because that has been adequately done, but I am dealing in facts, and I think this reasonable increase in wages can be made and absorbed for the reasons brought out by those who have dealt in figures, citing particularly the NRA experience. And I have met many manufacturers who have said they wished NRA or something similar to it was back. It seems to me what we are doing now is bringing back at least some of the principles of NRA.

Now, to get down to one more very specific fact, there will perhaps be here tomorrow one of the textile managers who has a salary of $31.00 an hour, if we figure his salary on the basis of an eight-hour day and a forty-hour week, about two thousand hours a year. He is

getting a return of $31.00 an hour. He is one of the most loud spoken, not to say vociferous opponents of this moderate increase in wages.

Well, if we just lopped off $20 of that $31 an hour and still left him $11 an hour, and then used that sum to cover the 2½ cent raise, from 30 to 32½, it would take care of 800 workers in his plant, and he would still be receiving $20,000 a year, or $11 an hour. What he needs with any more than $20,000 a year I don't know. How he can use much more than that I don't know.

Here is one place where although we hear it said, "Oh, well, if we divide off what the overhead is, it would not go but just a little way",—that is contradicted by figures This amount would still be paid to him, this man would still be getting $20,000 a year, and yet 800 workers out of the difference between what is lopped off and what is left would be receiving this minimum wage increase which is recommended.

We want to save the system, and you cannot save the system unless you make such changes as are necessary to satisfy the reasonable desires and needs of our people. We want to save America, but we want to do more than that, we want to build America, and we want to build into it something that is finer than anything that has been built yet. We don't want to be satisfied with the great America we have when all of the ugly spots and the sore spots and disease spots are clearly here and should be removed.

I think I will stop with that and receive any questions that may be asked.

Mr. Abt:

You may cross examine.

Cross Examination.

By Mr. Taylor:

Q. Mr. Dodge, will you tell us something about your background of education and experience which qualifies you to express an opinion on this situation?

A. I went to Davidson College and was graduated there in 1909, passed a year as principal of the high school in Camden, South Carolina, went to the Union Theological Seminary in Richmond, Virginia, and graduated in 1913.

The rest of the period I have been a preacher in accordance with the schedule or program I mentioned awhile ago.

Q. Where have you held pastorates?

A. In Anderson, South Carolina, for eight years, and in Atlanta for fifteen years, and while I was teaching at the Atlanta Theological Seminary, I had four rural churches around, Zebulon, Barnesville, The Rock, Woodbury.

Q. After that, what did you do, sir?

A. As I stated, I was here with the Central Congregational Church, from 1923 to 1931; from 1931 to 1934, with the Oglethorpe University; from 1934 to April, 1937, pastor of the Radio Church.

Q. Dr. Dodge, why did you resign your last pastorate in Atlanta?

A. The Central Congregational Church has always been a struggling church in Atlanta. It is a "Damnyankee Church", the Congregational Church, of course,—"Damnyankee" being one word, as we understand it down here.

The Congregational Church has strength in the North, but is very weak in the South. It happened I was the first pastor in thirty years that made a self-supporting church, and then we had a rift within the church, and after that rift, it never got back on its feet. It was in a very weak condition when I resigned and went to Oglethorpe University.

Q. Were you asked, Dr. Dodge, to resign, sir?

A. No, sir.

Q. Were you asked to resign from Oglethorpe?

A. No, sir.

Q. You, I believe, heard the witness who just preceded you on the stand testify?

A. Yes, sir.

Q. In your opinion, Dr. Dodge, are the conditions described by that witness a generally representative picture of the mills in Georgia?

A. There are a number of mills in Georgia which are correctly represented by the conditions he described. There are other mills which are considerably different, far different from that.

Q. About how many would you think that there are of those mills, of which his description might be considered accurate?

A. Well, there are conditions like that in Columbus, Georgia, there are conditions like that in Augusta, Georgia, there are conditions like that in Rossville. There are quite a number of places where such conditions prevail.

Q. You spoke of $7.50 for a fifty-hour week. Do you know of any employees, anywhere now in Georgia, receiving less than the 25 cent minimum, or working more than forty hours a week?

A. Yes,—no, I don't, no, not in Georgia.

Q. Do you elsewhere?

A. The Alabama chain of mills is working forty-four hours a week. They went from forty to forty-four recently, on a threat from the management that they would shut down unless the workers would take the four extra hours on the same pay they were receiving for the forty hours.

Q. They are paying the 25 cent minimum?

A. I understand that they are.

STATEMENT OF BORIS SHISHKIN.

There is one point that is of basic significance which has been discussed to some extent, but with regard to which it should be further noted that there is a very important phase of the problem which deals with the elasticity or inelasticity of the demand for the cotton textile products as a result of any minor changes in prices.

I would like to read a few excerpts from a study made by Stephen J. Kennedy and published in 1936 entitled, "Profits and Losses in Textiles".

Dr. Kennedy made this study under the supervision and with the assistance of a number of the members of the faculty of Political Science and Economics of Columbia University, including John Maurice Clark, and Westley Mitchell, and a number of others, and also with full cooperation of the representatives of employers as noted in the acknowledgments and the foreword to the subject.

From Page 177, I quote:

"When we come to look at demand it becomes at once evident that as with supply, there are different types of textile products for which different conditions apply. For the purposes of this analysis, textile products will be considered as of three classes:

1. Industrial fabrics, which are used in the production of essentially non-textile products; for example, shoe linings, tire fabrics, etc.

2. Utility fabrics, where serviceability is the controlling element in demand; for example, sheets, handkerchiefs, etc.

3. Style fabrics, where style is the controlling element in demand; for example, women's dress materials, etc.

It is to be recognized that most fabrics outside of Class 1 show characteristics of both Classes 2 and 3 in varying proportions. This classification will be useful, however, in analyzing the dominating or controlling factor in demand in each case."

Demand for industrial fabrics:

"With this in mind, let us see how the lowering of prices affects demand for cotton goods under conditions which assume that for ordinary uses there is no cheaper fibre that can be substituted for cotton. With industrial goods, it is immediately apparent that reduction of prices will have little if any effect upon demand. Demand for these fabrics is almost wholly inflexible with respect to their selling price in the long run. In the case of shoe linings, for example, in no sense can it be said that the amount that will be used is directly related to the price of cloth itself, for it is obviously the demand for shoes which determines the demand for linings, and the price of shoes is determined in the long run by factors in which the cost of shoe linings plays a very small part. By similar analysis it will be seen that for other industrial fabrics, demand in the long run is unrelated to their price, and that a reduction in price cannot be expected to increase consumption."

In this connection, Mr. Administrator, it may be pointed out that any references that are of significance on the question of elasticity of demands that are made to any reduction in prices and effect on the production, would be equal of applicability to the increase in prices.

With reference to demand for utility fabrics, production, I quote from Page 178 as follows:

"With the next type of goods, utility fabrics, there is a sharp contrast between market demand and long term

consumer demand. Looked at from the standpoint of the former, it would appear that sheets are an outstanding example of a product on which demand can be increased by cutting prices. Let some merchant decide to reduce his normal percentage mark-on, in order to increase dollar volume during a January "white sale" . . . and the demand for sheets will grow to enormous proportions.

"However, that does not mean that there has been any increase in the consumption of sheets. All that has happened is that demand which might have manifested itself over a period of months or years has been concentrated in a few days or weeks. The reduction in price has not stimulated greater use of the product at all.

"With utility fabrics of this sort, the essential fact about consumer demand is that the amount used is primarily a function of their wearing qualities, not of their price. When an article of this type is worn out it is replaced. Just what constitutes a condition requiring replacement of a utility textile article is something that would vary from one consumer to another, based upon individual habits and standards of living. But the average housewife who has used, say, a certain brand of sheets for years, will not be deterred from buying them by a slight rise in price, as from $1 to $1.19, nor will she suddenly cease to mend them and start using new sheets if the price drops from $1.19 to $1. It is quite probable that a sale at a reduced price would lead her to purchase a supply in anticipation of her future needs when replacement becomes necessary, especially if an actual price decline of the above amount were to be advertised as '$1.19 values for $1.' The mere fact of a purchase in the market does not constitute replacement, however, nor do price reductions even when they result in increased sales lead necessarily to increased consumption.

"The only ways in which that could be done would be by increasing the number of people who use sheets, or by diminishing the life of sheets through industry-wide deterioration of the average quality of the product . . . or by persuading people to use three sheets to a bed."

With reference to the demand for style fabrics, I just wish to make a brief reference from Page 180, as follows:

"Elasticity of demand even here, however, is not uniformly distributed over purchasing groups, since differences of age and standards of living, to mention only two factors, would materially influence the elasticity of demand in relation to price.

"Furthermore, it is open to question whether even so-called style fabrics are finally discarded more because of style factors than because of unserviceability. A recent study of why silk dresses are discarded, which involved the random collection of 100 silk dresses donated by women of various occupations, would seem to indicate the greater importance of utility even in style fabrics. It was found that 66 of the 100 dresses were discarded solely because the fabric was no longer wearable, and in the twenty-five other instances, partly for this reason. On the other hand, only seven of the dresses were discarded solely because they were out of style, and only twenty-three others partly on this account.

"While too much importance should not be attached to isolated studies of this kind, it would seem that further investigations would show trends along the same line, if the samples selected were representative of the general mass of consumers. Such results would indicate that the point at which existing goods are replaced by new goods is determined to a large degreee by the exhaustion of their utility for the given purpose, and for the great mass of consumers has less relation to the price of replacement goods than may commonly be supposed."

STATEMENT OF ELMER F. ANDREWS, ADMINISTRATOR OF THE WAGE AND HOUR DIVISION.

This is a continuation of the hearing on the recommendation of Industry Committee No. 1 for a minimum wage in the Textile Industry.

I am now ready to rule on Mr. Taylor's application for subpoenas.

Mr. Taylor, counsel for the American Cotton Manufacturers' Association, in open session of this hearing in Washington, relying on Sub-Paragraph 7 of Paragraph V of the Rules governing the conduct of this hearing and upon Section 5 (b) of the Act, applied for the issuance of subpoenas duces tecum to the United Textile Workers of America, an affiliate of the American Federation of Labor, and Textile Workers Union of America, an affiliate of the Congress of Industrial Organization, requiring these unions to produce documentary information as to:

I quote:

"1. The number and distribution, by States, of their dues-paying members as to the date of appointment of Industry Committee No. 1;

"2. Number and distribution by States of textile establishments with which Texile Workers Union of America, and United Textile Workers of America, hereinbefore referred to, had contracts in force as of the same date; i. e., as of the date of appointment of Industry Committee No. 1; and

"3. Information as to wage differentials, if any, as between North and South, provided for under such contracts."

In ruling upon this application, I must consider three factors:

1. The relevancy of the documents requested to be subpoenaed;

2. The materiality of such documents; and

3. The necessity for their production.

I will take up the three separate requests in order.

Request No. 1.

As to the first request, I believe that the evidence sought is not relevant or material to the purposes of this hearing. It is only conceivably relevant to the question of the proper constitution of the Industry Committee under Section 5 (b) of the Act, and Mr. Taylor bases this request upon that section. But this hearing is being held pursuant to Section 8, to determine not whether the Industry Committee was properly constituted, but whether, as Administrator, I should approve or disapprove its recommendation.

The statute directs me to determine on the basis of the record made in the course of this hearing whether the action of the committee is proper; it does not direct me to pass upon the committee's composition—upon whether my own action in appointing this committee was authorized.

Parenthetically, I might point out again that I placed on this committee an equal number of representatives of employers, employees and the public, and chose each group with due regard to the geographical regions in which the industry is carried on, and although it is my considered opinion, and I think the documents which I

have placed in the record sufficiently support that opinion that in appointing this committee I acted in full compliance with statutory direction, that is not in issue here. Consequently, the evidence sought is irrelevant and immaterial.

In the second place, the Textile Workers Union of America and the United Textile Workers of America are labor organizations of national scope, which, as a matter of public knowledge, represent the interests of employees in all sections of the textile industry. The numbers and residences of their members would therefore seem to be both irrelevant and immaterial, even if we were to assume, as I do not, that the propriety of my action in appointing industry Committee No. 1 were in issue in this proceeding.

Finally, the power to issue a subpoena calling for the production of books and records is a delicate power. Its use rests in the sound discretion of the presiding officer. It is essential that I exercise this discretion with caution and refrain from requiring the production of documents, the disclosure of which might cause unwarranted injury. In this instance, the documents requested obviously are confidential, their disclosure would be subject to abuse, and the possibility that serious damage would result is substantial. Furthermore, insofar as the records of the Textile Workers Union of America are concerned, counsel for that union has offered to produce a witness who will testify as to the number of workers in the industry covered by the administrative order who have applied for membership in and have been accepted as members of the Textile Workers Union of America, and to break these figures down to show the number of such workers North of the Mason and Dixon Line and South of the Mason and Dixon Line. In addition, other sources are available to determine the extent of union organization in the different regions of

the country. Consequently, in my opinion, the necessity for requiring this evidence in this manner is exceedingly questionable and a fair exercise of my discretion does not call for the granting of this request.

For these reasons the first request is denied.

Request No. 2.

What I have said of the first request is equally applicable to the second. The documents requested to be subpoenaed are not relevant or material to this inquiry, and the information they contain is extremely like a trade secret of a business company. As I said regarding the first request, there are other sources available for the determination of the extent of union organization in the different regions of the Country. For these reasons, as well as the reason that in my opinion the documents called for are immaterial and irrelevant, I deny the second request. I might add that, insofar as the records of the Textile Workers Union of America are concerned, there is an added reason for denying Request No. 2. Counsel for that union offered Monday to produce a witness who would furnish the information requested, excepting only that the offer was to break that information down, not by the number of establishments by States, but by the number of establishments North of the Mason and Dixon Line and the number of establishments South of the Mason and Dixon Line. This difference does not appear to me substantial enough to compel the production and disclosure of confidential documents.

Request No. 3.

As to the third request, information as to wage differentials, as between the North and South, provided for

in union contracts, would appear to be relevant to this inquiry under the provisions of Section 8 (c) of the Act, and upon proper request I will issue a properly limited subpoena, calling for the production of books, records and documents containing such information, provided such documents are not privileged from production on recognized grounds:

However, Request No. 3 in its present form is unreasonably broad and indefinite. It in no wise specifies or describes the books, records and documents, the production of which I am asked to require.

In the most sweeping terms, it calls for documents not described with reasonable particularity, but all information on the subject wherever and in whatever form contained. Consequently, in its present form, this motion also must be denied without prejudice, however, to the right of the American Cotton Manufacturers Association to submit a properly limited application calling for the production of documents described with reasonable definiteness and particularity, which contain the desired information.

In view of the fact that the Association may submit another application, I wish to observe that among the documents called for by the present sweeping request are the original contracts between the respective unions and all companies with which they may have agreements containing minimum wage provisions. Such contracts, as I have already indicated, contain highly confidential information, the disclosure of which is plainly subject to abuse. Moreover, the relevant information such contracts contain would seem to be available from other sources.

Indeed, insofar as the Textile Workers' Union of America is concerned, much of the information is already in the record in statistical form, and Mr. Abt has offered to produce the balance in such form.

If any new application requests subpoenas that would require the production of these or other confidential documents, I will not grant such application, unless there is a reasonable showing of the necessity of obtaining such information in such a manner, and if I do grant the application, and issue the subpoena, I will immediately impound any confidential documents produced pursuant thereto.

EXCERPT FROM TESTIMONY OF K. P. LEWIS

Q. Will you proceed with that statement, please sir?

A. My name is K. P. Lewis, of Durham, North Carolina. I am President and Treasurer of the Erwin Cotton Mills Company, a firm with which I have been associated for 39 years. I am appearing here as President of the American Cotton Manufacturers Assocation, which embraces in its membership approximately 80% of the spindles of the Southern Region, including the States of Virginia, North Carolina, South Carolina, Tennessee, Kentucky, Georgia, Alabama, Mississippi, Texas and Arkansas.

At its annual meeting in New Orleans in April, 1939, the Association unanimously adopted a resolution requesting the Administrator to reject the recommendation of Industry Committee Number One. Subsequent to this action the Association requested all the mills of the South to communicate to it their attitude on the Industry Committee's recommendation. To date we have heard from 11,355,226 spindles, and of this number 10,789,910, or 95¼% have informed us that they are opposed to the proposed wage order.

TESTIMONY OF K. P. LEWIS—(T. 1450)

The witness, a resident of Durham, North Carolina, stated that he was president of the American Cotton Manufacturers Association and president and treasurer of the Erwin Cotton Mills Company with which firm he has been associated for the past 39 years. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mr. Lewis, I think you said the American Cotton Manufacturers Association embraces about 80 percent of the spindles of the South. Is that correct?

A. Yes.

Q. And that you sent a questionnaire to the Southern members of the industry to determine whether they favored or opposed the recommendation of a majority of the Committee?

A. Yes.

Q. Did you send that only to your own members or to the entire Southern textile industry?

A. We sent it to the entire Southern textile industry.

Q. And you said that you got returns from approximately 11,000,000 spindles?

A. That is right.

Q. What is the total spindleage in the South, Mr. Lewis?

A. I don't know about that. I should think about 17,000,000, seventeen to eighteen million.

Q. Mr. Borkein tells me the spindleage is slightly in excess of 18,000,000. Would you accept that?

A. I think that is about right.

Q. So if you have received returns from some 60 percent of the Southern spindleage, there are missing returns from some 40 percent of the spindleage?

A. Yes.

Q. In the course of your prepared statement, you made the following statement, Mr. Lewis:

The chief cause, of course, is the fact that the cotton-textile industry is no longer an expanding industry.

That is on page 2 of your statement. When you referred to the fact that the cotton-textile industry was no longer an expanding industry, did you have reference to spindles in place, spindle hours, cotton consumption, or what was the basis of that statement?

A. Well, spindles in place and general consumption of cotton. I had particularly in mind spindles in place.

Q. Well, now, do you think that that is a very fair standard of reference to determine the extent to which an industry contracts or expands, that is, spindleage

in place? Let's assume, just to take an outrageous assumption for the purpose of illustration, that spindleage in place between 1930 and 1939 contracted by 25 percent, let's say, but that per-spindle production during that period increased by 100 percent. I say, I am taking an outrageous assumption just for the purpose of discussion. Would you say that under those circumstances the cotton-textile industry was a contracting industry or an expanding industry during that period?

A. I am sorry, but I didn't get your question.

Q. I am making the assumption that between 1930 and 1939, the number of spindles in place decreased by 25 percent?

A. Yes.

Q. But that the output per spindle increased by 100 percent. Would you say under those circumstances and given that assumption that during the nine-year period in question, the cotton-textile industry was an expanding industry or a contracting industry?

A. I would say it was an expanding industry.

Q. An expanding industry?

A. Turning out more goods.

Q. In other words, merely the spindleage in place is not an index of an expanding or a contracting industry?

A. Not entirely so.

Q. Wouldn't a better standard be cotton consumption, that is, the amount of cotton consumed by cotton-textile mills?

A. I think that would be best.

Fr. Abt. I will ask the reporter to mark this chart as Textile Workers Union of America Exhibit No. 1.

(T. W. U. A. Exhibit No. 1, Witness Lewis, marked for identification.)

Q. Mr. Lewis, I show you T. W. U. A. Exhibit No. 1, which is a chart bearing the caption, "Cotton Consump-

tion and Industrial Production in the United States, 1919 to 1938."

Mr. McNULTY. The original of this is introduced in evidence?

Mr. ABT. No; it has not been introduced. Let me state by way of explanation that this is a copy of a chart prepared by the Bureau of Labor Statistics and introduced in evidence by Dr. Isidore Lupin, the Commissioner of that department, at hearings in Washington before the Temporary National Economic Committee.

Q. Now, Mr. Lewis, you will note from that chart that it contains two lines, an unbroken black line, which represents the index of cotton consumption, and a broken line which indicates the index of industrial production.

Now, before I ask you any questions about the chart, I would first like to ask you what period you cotton men generally regard as the good period of the cotton industry?

A. What do you mean by that?

Q. The hey-day of the cotton-textile industry?

A. Well, I think 1927 was one of great demand, and 1933 is——

Q. No; no; that is not the question I am asking you, Mr. Lewis. I have heard cotton men talk, and they refer to a certain period, or a period of a few years, look back at it as the "good old days," when the industry was in a splendid condition as against this long period of depressed condition which followed subsequently.

A. It has been a long time since we had any good old days, a long time.

Q. Well, now, directing your attention first to the black unbroken line of the chart, the line representing cotton consumption, Mr. Lewis, would you draw any conclusions from that line as to whether the cotton industry during the period from 1919 to 1937 and the first

few months of 1938 was a contracting industry or an expanding industry, within the definition of that term that we have just worked out a few minutes ago?

A. Well, it looks to me like there have been more periods of low consumption in the last few years on the whole than there are in the first part of it.

Q. Well, let's look back, Mr. Lewis, at 1921—that was the all-time low for this nine-year period, was it not?

A. Yes; that is on this table.

Q. May I ask you whether there is any question as to the accuracy of the chart, or whether it is accepted with the statements that I have made?

Mr. TAYLOR. Mr. Administrator, we made no objection to it, considering that it should be introduced in evidence for whatever it may be worth.

Administrator ANDREWS. Thank you.

Q. From this chart, 1921 represented a low for the nine-year period in cotton consumption, did it not, Mr. Lewis?

A. Yes, sir; there is a very sharp dip there.

Q. There is a very sharp dip there?

A. Yes, sir.

Q. And in 1924, there was another bad dip, was there not, that brought consumption below 80 percent on the index number?

A. That is right.

Q. Now, let's look at the high side of the picture. 1937 represented an all-time high for that period, did it not, Mr. Lewis, for cotton consumption?

A. Yes; that is what it shows on this thing here.

Q. Isn't it a fact that the year 1937 was an all-time high for cotton consumption in the United States not only for this nine-year period but since the beginning of the industry in this country?

A. I don't know about before, except from this statement; it does show that on this chart.

Q. It shows that on this chart, doesn't it?

A. Yes; it shows that on this chart.

Q. And the next to 1937, the next time was in 1933, was it not?

A. That is right.

Q. So that we had two high points in the last recent period, or the two high points fell in the last recent period, did they not?

A. Yes; since 1933.

Q. And the only other time at which cotton consumption ever approached those figures was in 1927, was it not, Mr. Lewis?

A. Yes, sir; that is the third high.

Q. That is the third high?

A. Yes, sir.

Q. Now, coming away down to date, as far as this chart goes, in the year 1938, cotton consumption which had declined in the—declined rather precipitously in the last half of 1937 and came back again to 100, again, on the index, did it not?

A. What year is that?

Q. 1938, the last part that is shown on the chart?

A. That shows 100 percent.

Q. And 100 percent, if you will note by the caption of the chart, Mr. Lewis, is the cotton consumption for the period 1923 to 1925; is that correct?

A. So I understand.

Q. So that it is 1938 we were back in cotton consumption up to the period 1923–1925; is that correct?

A. Yes; that is right.

Q. Now, Mr. Lewis, you will note that this line of cotton consumption is a very much of a zig-zag line; is it not?

A. Yes sir.

Q. It goes away down, and comes up, and goes down, and comes back up once more; is that right?

A. Yes.

Q. If you took a pencil and put it on that chart, and tried to get some trend of that line, leaving out the peaks and the valleys, do you think that you could find a trend in cotton consumption, even up or down?

A. I would have to study it over before I could answer that question.

Q. Well, will you just give me your off-hand opinion as to that?

A. I wouldn't give an off-hand opinion on that question. I would have to study it first.

Q. Okeh. Now, let's look at the other line on that chart—that is the line of industrial production, that means the index number of the entire industrial production of the whole country, and one hundred again is the whole industrial production of the nation from 1923 to 1925. What would you say as to the relation of that dotted line which represents industrial production, as compared to the unbroken line which represents cotton consumption?

A. It shows below it at this time.

Q. But I am not referring to that line at any particular point, or for any particular year, but I am referring to it as shown on the chart as a whole. What would you say as to the relation of the two lines?

A. The dotted line is somewhat below the other one, but not very much.

Q. Sometimes it is and sometimes it is not below?

A. Yes, sir; that is right.

Q. In 1929, it went up above it a little while, and maybe that is the only time. Except for 1929, the level of the cotton consumption was always a little bit above the general level of production, was it not?

A. The industrial production.

Q. Mr Andrews called my attention to the fact that perhaps I had missed a few other periods here where the dotted line went above the black line, but it would

be safe to say, wouldn't it, generalizing, on the whole, that the level of cotton consumption was always, or was generally a little bit above the level of industrial production?

A. Yes, sir.

Q. Now, Mr. Lewis, there appears another thing here, and that is that those two lines have pretty well been tied together, that is, when one goes up, the other goes up, and when the other line goes down, the other recedes or drops—wouldn't you say that that is true?

A. Yes, I think they follow that generally.

Q. Now, before you answer this next question that I am going to ask you, I want you to study the chart that is before you for a minute. The question that I am going to ask you now is: Whether you would draw from this chart any conclusions as to what happens to cotton consumption, and what is happening to cotton consumption, and what has happened in the past over this nine-year period, and, therefore, what is likely, at least, to happen in the future?

A. I think, so far as the future is concerned, the trend is going to be down.

Q. You would say that unqualifiedly, would you?

A. I said I think so, I did not say that I knew; nobody knows, of course.

Q. Well, now, suppose that we took this dotted line, and we projected that dotted line into the future, and extended our chart off to the right, and suppose that dotted line after 1939 began to go up and up and up—what do you think would happen to that black line, the unbroken line?

A. It would not go up as fast.

Q. It wouldn't go up as fast?

A. No, sir.

Q. Well, I don't know that you can say that on the basis of this chart.

A. Well, you asked for my opinion.

Q. Now, in that respect, I desire to call your attention to the chart in regard to that prophecy which you have just made—for instance, take 1933—the cotton consumption went up much faster than industrial production, didn't it?

A. That is my opinion that I gave you, that is would go up slower than that.

Q. But I didn't ask you that question, and you have not answered my question yet. I asked you if in 1933, didn't consumption go up much faster than the industrial production?

A. No, I think they had about the same rise in 1933.

Q. Well, maybe you are right about that. But, let's take a look at the year 1927, for instance, where its consumption went up a good deal faster than the industrial production, then, didn't it?

A. Yes, sir; it did.

Q. And, in any case, wouldn't it be fair to say on the basis of this chart that you now have before you, that cotton consumption rises and falls with the general level of the national industrial production, and that when industrial production, as a whole, rises, we would expect a rise in cotton consumption and vice versa, isn't that correct?

A. I would expect a rise, but not a proportionate one.

Mr. ABT. As to that, the chart will speak for itself.

At this time, Mr. Administrator, I offer in evidence this chart as Exhibit No. 1 of T. W. U. A.

Administrator ANDREWS. No objection?

(Exhibit No. 1 of T. W. U. A., Witness Lewis, received in evidence.)

By Mr. ABT:

Q. Now, I call your attention to something that you said on Page 3 of your statement. You said there:

> It should be noted that apparent inability of the Japanese to attain their quota is not due to the

ability of the domestic industry to meet this competition, but can be explained almost entirely by the China-Japanese War, which has made heavy demands on Japan's foreign exchange, and has deprived it of much of its capacity to buy raw cotton.

Now, I don't think that when Mr. Taylor qualified you, he qualified you as an expert witness on international affairs?

A. No, sir; I am not.

Q. But I am going to risk it, and I will ask you a question on that point. How long do you think that the China-Japanese War will last?

A. I am not a prophet on that, and I couldn't say.

Q. So far as you and I know, it might last five years, and it might last ten years, or it might be over next month?

A. That is true.

Q. Let me ask you this question, then: If you were the Administrator here, and you were charged with the duty today or tomorrow, or next week—I guess that it will be next week or the week after that—of deciding whether to approve this minimum wage recommendation which will go into effect as soon as he approves it, and you had a War on in China that might last from anywhere from three months to thirty years, and if we accept your statement that as long as that war lasts, Japan is not going to be a very serious competitor in the American market——

A. I didn't say that. I said last year they were not.

Q. You say: "That apparent inability of the Japanese to attain their quota is not due to the ability of the domestic industry to meet this competition, but can be explained almost entirely by the China-Japanese War"—and I presume that you mean that they would be in the same shape as they are today, as long as the war lasts——

A. They are already making improvements——

Q. We will come to that——

A. But I haven't the exact data as to what part of the importations is Japanese.

Q. Let's put it this way—can you and I fairly ask the Administrator to make a determination now, not on conditions which exist now, but on conditions that may exist some time in the future, as, if, and when the Japanese stop shooting up the Chinese?

A. I think that he should give those facts some consideration.

Q. Suppose that Mr. Andrews approves a minimum wage recommendation of 32½ cents next week, and the week after that, the Chinese drive the Japanese out of China, or the Japanese drive the Chinese out of China, and the War has come to an end, and as a result of that fact, Japan began to flood the American markets with cotton textiles—don't you think on the basis of that change in conditions, that it would not only be proper, but natural for you to apply to the Administrator for a revision in that minimum wage, if the Japanese competition made it impossible for you to pay that wage?

A. I think there are, maybe, many reasons why we ought to ask for it if the conditions stay like they are now.

Q. Right. Now, further down on that page, Mr. Lewis, you made this statement:

"In the first four months of 1939, imports"—Japanese imports—"amounted to 34,000,000 square yards"—of cotton textiles. What was the total United States production of cotton textiles for the first four months of the year 1939; do you know?

A. I don't know.

Q. It might be an interesting thing to find out; don't you think?

A. I didn't think that I needed it for this hearing. I would be glad to accommodate you and find out, though.

Q. Now, on page 5, Mr. Lewis, you say:

> In connection with the competition from paper, it should be emphasized that the cotton-textile industry is competing with a highly mechanized industry in which labor costs are relatively less important.

Then you go on to show that in 1921 57.4 percent of the value added by manufacture was represented by wages in the paper industry, and that it declined to 36.3 percent——

A. On what page is that?

Q. That is on page 5 of your statement—and that is declined to 36.3 percent in 1937?

A. That is the value that was added?

Q. Yes, I understand that. And you referred to the fact that in the cotton-textile industry, on the other hand, wages were 56 percent of value added in 1921, and that it remained at about the same level in 1937.

Now, on what, primarily, does the ability of paper to compete with cotton textiles rest—on what factor?

A. Well, the manufacture comes into that, I expect. I haven't made a detailed study of that.

Q. Well, without a detailed study, I know very little about the paper industry myself, in fact, I know nothing about paper, but even without a detailed study, would you not say that price is the most important factor in the competition between cotton textiles, on the one hand, and paper products, on the other?

A. Everything being equal, I would say that the price is.

Q. Now, take the case of paper—what determines the price at which you can sell a paper bag?

A. The price that you can get for it. I don't know how to answer that question.

Q. Well, let me put it this way, then. Wouldn't the cost of your raw materials have something to do with the price at which a manufacturer would sell his paper bags?

A. I think that it would apply to all manufacturers.

Q. And that would apply to cotton textiles, too, would it not?

A. Yes, sir.

Q. And if the amount of competition that you can anticipate from paper depends on the price at which paper is sold as against textiles, why do you pick on this value added by manufacture, and the percentage labor represents as to that, in discussing competition between paper and cotton textiles, instead of the percentage of the labor cost to the finished product in each case? That is the important thing, isn't it, Mr. Lewis?

A. I think that the percentage of the wages that goes into the product, it is larger, in the case of cotton as compared to the paper products and that such a situation makes it unfortunate.

Q. What percentage of the labor cost, how would you say that would compare as to the value added with respect to paper and cotton products?

A. I don't know.

Q. Do you know what the wages are that are paid in the paper industry?

A. No, sir; I do not.

Q. Now, let's come to page 6 of your statement. You said there, right after the quotation:

> In other words, cotton textile wages in the South are neither at the top nor the bottom of the general Southern wage structure, but occupy a position somewhat above the average for that area.

Were you here when Mr. Rieve testified yesterday, and did you hear his testimony?

A. I didn't.

Q. I am sorry that you missed it. You would have been a little bit interested in it. Among other things, Mr. Lewis, Mr. Rieve introduced some figures in evidence on the very question that you were discussing there. And these are the figures that he showed—taking the State of Alabama, first, in the State of Alabama, the average earnings in the cotton textile industry was 34.8 cents, hourly wage, and the average hourly earnings in all manufacturing industries—in all other manufacturing industries was 55 cents. Would you say, in the case of the State of Alabama that these earnings in the cotton textile industry were, as you say, or occupy as you say, a position somewhat above the average for the State of Alabama?

A. That statement that I made is my belief, and I am thoroughly in line with Mr. Hinrichs' figures on that subject.

Q. But you wouldn't say that your statement is true in the case of Alabama; would you?

A. I don't know what industries, exactly, they have over there, what other industries; there are probably some——

Mr. TAYLOR. Mr. Administrator, the witness has stated that he was not here when Mr. Rieve testified on yesterday, and I don't think that it is quite proper to ask him questions about Mr. Rieve's testimony.

Mr. ABT. I think that I am certainly entitled to refer to evidence that has gone into the record as a basis for questioning Mr. Lewis. That evidence was offered in the record on yesterday, and I am asking Mr. Lewis questions based upon that evidence, and if he or you, Mr. Taylor, have evidence to contradict it, you are at liberty to offer it at any time.

Administrator ANDREWS. Suppose that you rephrase your question and put it in the form of a hypothetical question?

Mr. ABT. Very well, I can do that, and I have no objection to that.

By Mr. ABT:

Q. Now, let's assume that Mr. Rieve's testimony given on yesterday was true in regard to these wages—I don't ask you to accept it as being true, but for the purpose of this question, we will consider that it is true, assume that the average hourly wage paid in the cotton textile industry in March 1939, in the State of Alabama, was 34.8 cents, and that in all other manufacturing industries, that the average wage was 55.3 cents. Now, assuming that is true—there is the statement that you have made that the textile wage occupies a position somewhat above the average—now, what I want to ask you is, would that apply in the case of the State of Alabama?

A. I would have to study the figures in detail before I would care to answer your question. I am not in a position to answer it on these averages.

Q. Well, I am not much of a mathematician myself, and it doesn't seem to me that it would take much study to answer that question, because we have the illustration of Alabama here with an average hourly wage of 34.8 cents, and the average hourly wage in all of the other manufacturing industries of 55.3; now, isn't it a fact that that is about a 20-cent difference there in that figure?

A. Yes.

Q. So, you can't say that the cotton textile wage in Alabama occupies a position somewhat above the average, can you?

A. I believe all of the information that I have given here is correct for the South, and that is what I am talking about.

Q. Now, let's refer to Georgia, for instance, and let us assume the same figures that Mr. Rieve gave in his

testimony on yesterday about Georgia; let's assume that those figures were correct, for the purpose of this question, and those figures show that the average hourly wage in the cotton textile industry in the State of Georgia was 36.4 cents, and that the average hourly wage in all other manufacturing industries for that same period was 44.6 cents—now, if that were true, you couldn't very well claim in the State of Georgia, that the textile wages occupy a level somewhat above all other Georgia manufacturing industries, could you?

A. I would say that it is very much above the lowest, but I do not know about the average.

Q. Now, the only reason that I asked you these questions is that you said in your testimony that you gave this morning that the textile wages occupy a position somewhat above the average, and all of the information that we have from the cotton-growing states, based upon the information gathered by the Bureau of Labor Statistics, seems to indicate that is not correct, but that, on the contrary, that the average hourly wage paid in the cotton-textile industry is below the average hourly wage paid in all other manufacturing industries.

Administrator ANDREWS. Was that a question?

Mr. ABT. No; that is a statement—I was trying to inform the witness what I am endeavoring to ask him about. I am asking him why he made that statement.

By Mr. ABT:

Q. Now, let's take the State of Mississippi, which is another cotton-growing state, and according to the information furnished by the Bureau of Labor Statistics, it shows that the average hourly earnings in the cotton textile industry was 30.9 cents per hour as against all other manufacturing industries in the State of Mississippi, which is set at 39.4 cents per hour, and if those figures are correct, and we are assuming that they are

for the purpose of this question, then your statement wouldn't be true as applied to Mississippi, would it, Mr. Lewis?

A. I am not in a position to answer those questions, because I don't know the details of them sufficiently.

Q. Then, a little further down on that same page, Mr. Lewis, you say in this last paragraph:

"We fully recognize that such a wage,"—32½ cents—"Even with full employment, would not give the workers of this region an extravagant standard of living."

What would you consider an extravagant standard of living?

A. I mean that 32½ cents is a rate that we would like to see advanced, if we could.

Q. What did you mean by the statement "An extravagant standard of living?"

A. An unreasonable wage is what I meant.

Q. Then, you would rather say, would you, "an unreasonable wage," than what you have said, "An extravagant standard of living?"

A. I don't mean an unreasonable wage, but I mean based on an ideal that we would like to see; I think it is a high wage based on conditions.

Q. Now, let's go over to Page 9 of your statement, where you say:

> We know from our earlier experiences that an increase in wages, accompanied by a substantial increase in the cost of our raw materials, has an adverse effect on our markets and upon the employment opportunities of mill employees.

To what earlier experiences were you referring?

A. I was referring to our general experiences through the years.

Q. You don't, at least, refer to the N. R. A. experiences; do you?

A. No; I might state that the N. R. A. period was a more or less artificial period.

Q. No; I just wanted to be sure that you were not referring to the N. R. A. when you referred to that.

A. And the earlier part of the N. R. A., I am certainly not referring to.

Q. Now, on page 10, at the bottom of the page, Mr. Lewis, you say there:

> The average, high and low, of July cotton during the month of March was 8.01 cents, in June, up to June 20, 9.09 cents, a difference of 1.08 cents per pound.

And on the next page, you found, did you not, that this increase in the price of raw cotton was pretty much reflected in the price of textile goods in that period?

A. Those that were quoted, a great many textile goods have not gone up at all, but I was speaking of the ones quoted.

Q. Was that a highly unusual increase in the cotton prices in that period; was that an extraordinary increase in cotton prices in that period?

A. I don't know whether you would call it an extraordinary increase in the prices of cotton or not, but it was a big increase.

Q. But increases of that kind have occurred in such a period before this; isn't that correct?

A. Yes, sir.

Q. And even greater increases than that?

A. In certain years cotton has wide fluctuations.

Q. Would you say even before 1933 that cotton fluctuated more widely than this?

A. I remember when it went up to 43.75 cents a pound at one time in the war days.

Q. That was in the war days?

A. Yes, sir; but I haven't the figures, year by year, on cotton.

Q. And you wouldn't say that this was an extraordinary or a unique increase, would you?

A. It has happened before.

Q. That increase is about 12 percent, is that right, if it went from 8.01 cents up to 9.09 cents, isn't that correct?

A. It would be a little bit over 10 percent, and we don't figure the price of cotton on futures.

Q. Did you hear the testimony of Mr. Tolles in Washington?

A. I heard a good part of it.

Q. Did you hear him testify that the increase in Southern textile wages that would be required by the 32½-cent minimum would average for the industry, around six percent?

A. Yes, I remember that, six and a quarter percent, as I recall it.

Q. What is the percent of raw materials cost to the cost of finished products in the cotton textile industry, by and large?

A. Well, I don't know about that. I think it has been testified it was around 36 percent in wages, of the total cost.

Q. I am not talking about wages, but about raw materials.

A. Well, there is no fast rule about that. It varies all the time.

Q. In your own mill, what does it amount to?

A. I don't know. It varies from time to time.

Q. It varies from time to time? Would you say that 50 percent would be a rough and ready approximation?

A. I wouldn't undertake to say so without figuring it out.

Q. O. K.

A. And I doubt if I could figure it out because of the great change. It is hard to get an average.

Q. In any case, Mr. Lewis, it would be true would it not that the percentage increase in the price of raw material that occurred in this only two or three months' period that you mentioned here is almost double the increase in labor costs which would result from a 32½-cent minimum?

A. About two-thirds, because cotton went up, too.

Q. Six-tenths, you mean?

A. What?

Q. I don't quite understand what you mean by two-thirds.

A. About 10 percent increase in the price of cotton, and 6 percent—that is not double.

Q. I said "almost" double.

A. Maybe two-thirds more. I am not much of a mathematician, either, but that is the way it sounds to me.

Q. On page 13 of your brief, Mr. Lewis, you said, away down, the last line of the page, you say, "Reference has been made to obsolete equipment." I just want to ask you one question in respect to that. Who brought that question up first?

A. I don't know; I never have thought about it.

Q. Just to give you my impression, it seems to me we have heard more about obsolete equipment from the opponents of the wage order throughout the proceedings than we have from the proponents of the wage order?

A. Well, obsolete equipment is a very vital factor in this whole thing.

Q. Now, Mr. Lewis, you testified you were the President of the American Cotton Manufacturers Association; is that right?

A. Yes.

Q. Will you tell us briefly what that association is?

A. What that association is?

Q. Yes, sir.

A. Well, it is a trade association of the cotton mills.

Q. Are you also, Mr. Lewis, a member of the Cotton Textile Institute?

A. Yes.

Q. What is that organization?

A. Well, that is a general cotton trade—cotton textile and rayon trade association, embracing mills in the North and South.

Q. Are you a member of the Board of Directors of that institute?

A. Yes; I am.

Q. Do you hold any official position with the Institute?

A. I am on the Executive Committee.

Q. Mr. Lewis, you are aware, are you not, that President Murchison of the Cotton Textile Institute appeared before Industry Committee No. 1 during the hearings, the course of the hearings which it held?

A. Yes.

Q. Are you also aware of the fact that at those hearings President Murchison represented to the Committee that he was appearing not only on behalf of the Cotton Textile Institute, but also on behalf of a number of other textile trade associations, including your association, the association of which you are President?

A. I think I do know that.

Q. By the way, Mr. Lewis, are you a member of the Southern Combed Yarn Spinners Association?

A. No.

Q. Did your association authorize Mr. Murchison to appear on your behalf before Industry Committee No. 1?

A. There was no action taken in that respect. He was not authorized by formal action.

Q. He was not authorized—how was he authorized; did he receive any authority, Mr. Lewis?

A. I am not sure about that, just exactly what authority he did have.

Q. You would not suppose, would you, that Dr. Murchison would appear before the Industry Committee No. 1 and state that he was representing your association——

A. Our association understood that Dr. Murchison was getting up a brief. We knew that.

Q. But did you know that he was going to testify before the Committee that he was presenting that brief not only in behalf of the Institute but also in behalf of your association?

A. Yes; I think I would say I did.

Q. You did know that. And you did not advise Mr. Murchison that he had no authority to represent your association before the Committee; did you?

A. I did not. I was not President of the association at that time.

Q. Now, were you advised as a member of the Executive Committee of the Cotton Textile Institute that Dr. Murchison was going to appear before Industry Committee No. 1 and present a brief?

A. I am not sure about that.

Q. Did the Executive Committee of the Cotton Textile Institute have any discussion with reference to the Fair Labor Standard Act prior to the time that Dr. Murchison appeared before the Committee?

A. There was some discussion, I think.

Q. How often does the Executive Committee meet, Mr. Lewis?

A. Two or three times a year.

Q. What was the first meeting that the Executive Committee held prior to December 14, 1938, if you remember?

A. I don't know.

Q. What was the last meeting of the Executive Committee that you attended?

A. I don't remember either date.

Q. Pardon?

A. I don't remember either date.

Q. No, no; I am asking when was the last meeting——

A. I don't know.

Q. Please let me finish my question before you answer it. We will get along better.

When was the last meeting of the Executive Committee of the Cotton Textile Institute that you attended?

A. I don't know.

Q. Have you attended any meetings during the year 1939?

A. I have missed most of the meetings. I don't recall which ones I attended.

Q. Are minutes of those meetings prepared and circulated to the members of the Executive Committee?

A. Yes; they are.

Q. Do you receive those minutes as a member of the Executive Committee?

A. Yes.

Q. Do you read them?

A. Yes.

Q. Do you read them?

A. Sometimes I don't read them very carefully. I often look them over.

Q. Let me ask you this. Do you recall getting any copy of the minutes of the Executive Committee of the Cotton Textile Institute in which the question of the Fair Labor Standards Act was on the agenda and was discussed?

A. I couldn't say; I don't remember having done so.

Q. You don't remember ever having received such minutes?

A. I don't say that I have not, but I don't remember it.

Q. I understand. Do you remember ever having participated and being present at any meeting of the Executive Committee of the Cotton Textile Institute at which the Fair Labor Standards Act was discussed?

A. Very little discussion of it was had at any time that I know anything about.

Q. But you did know Dr. Murchison was going to appear before Industry Committee No. 1 and testify on behalf of not only the institute of which you are a member of the Executive Committee, but also on behalf of the association of which you are now President?

A. I knew that she was preparing a brief. Of course in the preparation of such brief you have to consider the whole industry. You cannot take any position in it that is for one section against another.

Q. When did you become President of the American Association, Mr. Lewis?

A. In April of this year.

Q. April of 1939?

A. Yes, sir.

Q. Did you hold any office in the association prior to that time?

A. I was Vice President.

Q. For how long a period did you serve as Vice President?

A. Well, I was Second Vice President for one year, and First Vice President for one year.

Q. So you held the office of First Vice President, April 1938 through April 1939; is that right?

A. Yes; approximately that.

Q. Who was your predecessor, as President of the American Association, Mr. Lewis?

A. Mr. Cheatham.

Q. Mr. Cheatham?

A. Yes.

Q. Was Mr. Cheatham a member of Industry Committee No. 1?

A. Yes.

Q. Do you happen to know whether or not he was present at the meeting of Industry Committee No. 1 when Dr. Murchison testified?

A. I don't know.

Q. Mr. Lewis, were you present before the Committee at the time that Dr. Murchison testified?

A. Yes; I was, I think.

Mr. ABT. Mr. Administrator, for the record, I would like to note at this point that a reference to the Journal of Industry Committee No. 1, which has already been offered in evidence by counsel for the Committee, will show that Mr. Cheatham, as a member of that Committee, was present when Dr. Murchison testified.

Q. Did you hear all of Dr. Murchison's testimony, Mr. Lewis?

A. Yes; I think I heard it all.

Q. Now, Mr. Lewis, let's look at page 15 of your brief, the first paragraph:

> We in the South are as anxious as any other group to see conditions in this industry stabilized, but we deny that this is the fundamental purpose of the Act, or that it can be achieved by a flat minimum nationally applied without a consideration of all the other items that enter into our cost structure.

Does that represent your considered position with reference to the recommendation made by the majority of the Committee?

A. Yes.

Q. Does that likewise represent the considered position of the association which you represent?

A. So far as I know it does.

Q. Well, how do you know that it does, if you know?

A. Insofar as I know, it does.

Q. Did that represent, the statement I have quoted from page 15, did that represent your position with reference to this question prior to December 14 and 15 of 1938?

A. Yes.

Q. In other words, have you changed your mind about that proposition?

A. I have been thinking about it ever since the beginning. I don't know when I arrived at that conclusion.

Q. I beg your pardon.

A. I don't know when I arrived at that conclusion definitely. I have been thinking of it ever since the law was passed.

Q. You are not sure when you arrived at that conclusion?

A. Yes; I say I don't know when I arrived at it.

Q. Would you say you arrived at it before the majority report came down or after?

A. Before the majority report came down or after?

Q. Yes.

A. Before it came down, I would say.

Q. How long before it came down?

A. I don't know.

Q. You say you were present when Dr. Murchison testified before the Committee?

A. Yes.

Q. At that time had you come to any decision with reference to this question?

A. I just told you I didn't know.

Q. You don't know?

A. I don't know.

Q. You say you were present when Dr. Murchison testified before the committee?

A. Yes.

Q. At that time had you come to any decision with reference to this question?

A. I just told you I didn't know.

Q. You don't know?

A. I don't know when I arrived at it, at the conclusion.

Q. I was trying to refresh your memory, Mr. Lewis. And you still cannot say, if I understand you correctly, whether or not at the time you heard Dr. Murchison testify before the Committee you had arrived at that conclusion, is that right?

A. That is right.

Q. Did you hear all of Dr. Murchison's testimony?

A. Yes, I heard it all, I think.

Q. Do you remember this first statement Dr. Murchison made:

> The decision of the several branches of the cotton textile industry, the rayon wearing industry, the silk woven fabrics industry and the throwing and finishing industries to present a single brief to this Committee is a formal recognition of the interlocking relationships which the textile market has forced on manufacturers of textiles.

Do you recall that he made that statement?

A. I suppose he did. I don't remember exactly what he said in a long speech about six months ago. I couldn't tell you what he said except by assuming the record is correct. I don't know.

Q. You don't remember any reaction one way or the other on the part of yourself at the time that statement was made?

A. I knew he was preparing a brief in the name of the different associations.

Q. Did you have any objection to a single brief, and the single treatment of the industry?

A. Yes; I think it would have been much better——

Q. Just a moment——

A. I beg your pardon.

Q. Did you have any objection in December when Dr. Murchison testified to this single representation of the whole industry and this single brief on behalf of the whole industry?

A. Well, we decided to let him do that. I didn't think very much of it all along.

Q. You didn't make any objection when you heard that statement of Dr. Murchison?

A. At the meeting?

Q. Yes.

A. No; I didn't make any objection to anything, although I didn't agree with some of the things he said.

Q. Do you remember whether Mr. Cheatham made any objection to it?

A. I think he read his paper without any interference or any questions at all.

Q. After he got done, as I remember it, some questions were asked, weren't there?

A. A few, I think.

Q. Did Mr. Cheatham ask him any questions on this point?

A. I can't tell you about Mr. Cheatham's record. He would have to speak for himself.

Q. Now, did you hear this statement made by Dr. Murchison, Mr. Lewis: "As an industry we are opposed to the establishment of such classifications"?

And by that Dr. Murchison meant, as reference to the preceding paragraph will show, classifications under Section 8–c of the Act—

> As an industry we are opposed to the establishment of such classifications. We believe that the Act will be successful to the degree that its application is made uniform and simple. The

> determination of classifications and the minimum rate for each classification according to the formula provided in Section 8 is a task of overwhelming dimensions in industries as large, as widely dispersed, and as heterogeneous as the textile industries. We believe the administrative and enforcement problems arising from such classifications can be avoided, and the purposes of the Act achieved if the minimum wage is considered with due regard to present standards and is made uniform for all the mills in the industry.

Do you recall hearing Dr. Murchison make that statement?

A. I knew he made that statement.

Q. How did you react to that statement when you heard it, Mr. Lewis?

A. Well, I didn't think much of it, but at that time we had no idea that the Committee would recommend anything except what the law called for. We had no idea they would approach it from the angle that it has been approached.

Q. Just what do you mean by that statement, that the Committee would not recommend anything but what the law called for? You mean you anticipated at that time that the Committee would make a recommendation of 30 cents or less?

A. Yes.

Q. That is why you didn't object to this statement?

A. I didn't object to—I didn't express objections to the things I felt as the speech was being made.

Q. Now, Mr. Lewis, you said a little while ago you could not remember when you finally came to the conclusion that you stated on page 15 of your statement. I want you to think again and tell me if it was not when the Committee issued its 32½-cent minimum-wage recommednation that you came to that conclusion.

A. I can't tell you.

Q. But you did say, didn't you, Mr. Lewis, that you did not make any objection to Dr. Murchison's statement?

A. No.

Q. Because you thought you would only get a 30-cent minimum?

A. No; I say that is one of the reasons why we didn't object.

Q. Let me ask you this, now, Mr. Lewis?

A. I do not agree with the idea there should not be a differential.

Q. Let me ask you this, Mr. Lewis, as a member of the Executive Committee of the Cotton Textile Institute, and as President of your own Southern Association, do you now repudiate the statement which I have read, which Dr. Murchison represented was being made on behalf of the Institute and of your Southern Association?

A. Yes; I think it was a mistake.

Q. You repudiate that statement of Dr. Murchison's?

A. Yes; I think a differential ought to be considered.

Q. Now, on page 16 of your brief, Mr. Lewis—or let's start at the bottom of page 15, you say there,

> In connection with differentials, it is interesting to note that one branch of the Government, the W. P. A., recognizes a very great difference in living costs by the wage schedules for different parts of the country.

Mr. Lewis, do you approve of the practice of the W. P. A. in setting differentials for W. P. A. workers between the North and the South?

A. I do up to a reasonable point. I think they are too great now.

Q. Does your opinion represent the general view of employers in the South?

A. I think so.

Q. Do you know Senator Russell, Mr. Lewis?

A. Only by reputation.

Q. Do you think he is a fair representative of the South?

A. I don't know.

Q. You don't know. Would you call him, Mr. Lewis, a radical?

A. I am not an expert on politics or international affairs either. I don't know enough about the details of his talk to answer a question like that.

Q. Did you read the Atlanta Constitution this morning, Mr. Lewis?

A. No; I didn't get time.

Q. I just managed to squeeze in a little time, and I found the following item in the Atlanta Constitution:

> After a spirited battle in the Appropriations Committee of which he is a member, Senator Russell, of Georgia, today succeeded in attaching to the new $1,735,000,000 relief bill an amendment equalizing the pay of Southern relief workers with those on W. P. A. rolls in other sections of the country.

I take it that that amendment would not have your support?

A. No.

Q. And you don't think that it would——

A. I think there ought to be a differential, but not so great as we have now.

Q. And you don't think it would have the support of employers generally in the South?

A. I don't know about that, I can only speak for myself.

Q. You told me a little while ago that you thought your feeling in the matter was the general feeling of employers in the South?

A. Yes, but I am not going to answer that question about this particular bill; I don't know.

Q. Now, Mr. Lewis, you said you were President and Treasurer of the Erwin Cotton Mills?

A. Yes, sir.

Q. Is that correct?

A. Yes, sir.

Q. Whereabouts? You said you had six mills all told.

A. Six mills, yes.

Q. What do you make in those mills, Mr. Lewis?

A. Three of the mills make sheets and pillowcases, two of them make denims, and work-clothing garments, and one makes a variety of things, flannels, and bed ticking, and several other things.

Q. Where are those mills located?

A. Three at Durham, two at Erwin, North Carolina, and one at Cooleemee, North Carolina.

Q. How many workers do you employ, Mr. Lewis?

A. About 5,100, I think, that is very close to it.

Q. What is the minimum wage in your mill at the present time?

A. Well, our minimum wage at the present time is 31½ cents in the mill and some of the workers get less than that.

Q. 31½ cents in the mill?

A. That is except for the scrubbers and cleaners, that is right.

Q. How much do the scrubbers and cleaners get as a minimum?

A. Well, it varies at different places. I haven't those figures with me.

Q. What percent of your whole working force is made up of scrubbers and cleaners?

A. I didn't expect to testify for our company and I didn't bring any figures with me.

Q. Couldn't you make a guess, Mr. Lewis?

A. No, I wouldn't want to make a guess.

Q. Have you figured out, Mr. Lewis, how much the 32½ cents minimum will cost your company?

A. No, I have not.

Q. On page 11 of your brief, at the bottom of the page, you state:

> I wish to point out, Mr. Administrator, that a minimum rate of 32½ cents applied to all employees is higher than has ever prevailed in this industry.

Is that correct, Mr. Lewis?

A. Well, it is correct as far as I know. I am sure it is correct up—I don't know for certain about the war period, but I think it is correct all through.

Q. What was your minimum wage in your mill——

A. What is that?

Q. What was the minimum wage that you were paying in your mill in April 1933?

A. As I say I didn't bring any figures with me about our mill.

Q. You can't remember that?

A. No.

Q. I am sorry, not 1933, but April 1938?

A. April 1938?

Q. Yes.

A. It was higher than it is now. We had a wage cut during that year.

Q. How much of a wage cut did you have in that year?

A. 12½ percent wage cut.

Q. So in April 1938 your minimum must have been well over 33 cents, was it not, 34 cents—34½ cents?

A. Yes, sir; approximately that.

Q. That 12½ percent wage cut was pretty general throughout the South in the Fall of 1938 and Summer of 1938, was it not?

A. The wage cut was very general. I don't know about the percentage. I haven't any basis on which to say anything about it.

Q. Now, how does your mill, so far as wages are concerned, compare generally with other mills in the South? Are you high or low or an average?

A. We are in the higher bracket, I think.

Q. In the high bracket?

A. Yes.

Q. Wouldn't you say, Mr. Lewis, that prior to that 12½ percent wage cut in the Spring and Summer of 1938 the general minimum in the industry in the South was around 33 cents?

A. No; that minimum that you are talking about doesn't apply to all these outside people.

Q. Forgetting outside people, then, leave out the outside people?

A. I have no figures of that kind. I don't want to testify by guesswork.

Mr. Abt. Mr. Administrator, I have asked Mr. Taylor if he has any objection to Mr. Borkein asking a few questions. He says he has none, and therefore Mr. Borkein will continue the examination.

By Mr. Borkein.

Q. Mr. Lewis, you testified in your brief to the effect that there were relatively few years in the industry, and you itemized that there were only four profitable years between the period of 1926 and 1935. Apparently for some reason your figures did not carry over into 1937.

A. I didn't think from what information I got as to 1937 that it was a profitable year, taken as a whole.

Q. Mr. Lewis, when you say certain years were unprofitable, you do not infer that all of the concerns or a majority of the concerns were losing money, do you?

A. I am not—I meant taking the textile industry in general, that is what I had in mind.

Q. What do you mean, generally?

A. I mean the whole textile industry.

Q. How did you find out that these companies were not making profits?

A. As I understand it there has been no published figures on 1937.

Q. I am talking about the years in which you purport to have arrived at some conclusions?

A. Well, I got the information from sources that I thought was authentic.

Q. Which source did you secure that information from?

A. I couldn't give you that.

Q. Mr. Lewis, do these figures appear to you to be approximately correct: The Federal Trade Commission reported that in its survey for the year 1933, that 83 percent of the sales between January 1 and June 30 were made at a profit; from July 1 to December 31, 91 percent; from January 1 to June 30, 1934, 75 percent; from July 1 to December 31, 1934, 40 percent; from January 1 to June 30, 1935, 26 percent; 1935, July 1 to December 31, 70 percent; and January 1 to June 30, 83 percent.

Do those figures appear to you to be approximately correct?

A. I don't know.

Q. You don't know. But these are figures furnished by the Federal Trade Commission. Would you believe that they would be fairly representative?

A. I have no way of knowing.

Q. Let's for a moment assume the figures are correct. Do you believe they jibe with your conclusion that these years were unprofitable?

A. I think the years were unprofitable.

Q. Despite these figures, even if these figures were correct?

A. They sound mighty high to me.

Q. Mr. Lewis, would you consider that your own company has been unprofitable during all of these years?

A. No; not all these years, I am talking about the industry.

Q. I am asking you about your company.

A. I didn't know I was going to be put on trial as manager of an individual mill.

Q. I am asking you about your own concern, Mr. Lewis. Has your concern been unprofitable these years?

A. Some years we have; some we have not.

Q. When was your concern first established, Mr. Lewis?

A. 1892.

Q. What was its original capitalization?

A. $250,000, I think.

Q. What is its present capitalization?

A. Approximately $9,000,000.

Q. Were outside funds secured during that period?

A. Some were.

Q. Did most of the funds for expansion of the corporation come from the profits of the corporation itself?

A. Yes; most of it did.

Q. May I ask you, Mr. Lewis, what was your profit record for 1937, without divulging specific sums? Did you find 1937 a profitable year?

A. It was a fairly profitable year.

Q. Did you earn profits according to your own system of record keeping in 1938?

A. No; we lost money.

Q. Did you pay dividends during 1938?

A. We paid some out of surplus.

Q. What is that?

A. Out of the surplus.

Q. Mr. Lewis, would you consider that this is a fair approximation of the dividends that you have paid, that your corporation paid from 1926 through 1938 on its preferred stock of about a million and a half dollars?

A. On the preferred stock?

Q. Yes.

A. We pay 6 percent on our preferred stock.

Q. That is correct?

A. I don't know; I couldn't say.

Q. I think you will find that correct. And on your common stock of close to $6,000,000 during that period?

A. I have no figures with me on that.

Q. Mr. Lewis, you reported that you produced sheets and pillowcases?

A. Yes.

Q. How many producers of sheets and pillowcasings are there in this country?

A. I don't know, probably 15 or 20, maybe more than that; I have not counted them.

Q. What proportion of the sheets and pillowcases, in yardage, does your company produce?

A. I don't know.

Q. Are you one of the principal producers of sheets and pillowcasings?

A. We are fairly large.

Q. Have the prices of sheets and pillowcasings fluctuated in the same proportion as print cloth?

A. I don't know.

Q. You mean you are following the prices in your industry and you cannot judge with respect to the magnitude of the variations in prices on sheets and pillowcases in comparison with print cloth?

A. I have not made any study of it.

I tried to explain several times I brought no information about our details of our manufacturing down here. I am representing the American Association, the general industry in the South.

Q. Mr. Lewis, you indicated that we suffered from competition from abroad, particularly Japan.

A. I think that applies to the whole industry.

Q. I am referring to the whole industry. Do you suffer from such competition?

A. No.

Q. No.

A. We have the threat of it though, because sheets and pillowcases from Japan are being offered in this country now.

Q. But the major portion of the industry does suffer from such competition, and your own concern is threatened by such competition?

A. Yes; that is my understanding.

Q. Are you successful in foreign competition?

A. Successful in foreign competition?

Q. Yes. Do you understand my question? I mean do you all get any foreign orders?

A. We get some; yes.

Q. Have you gotten one recently?

A. Yes; we have gotten one recently.

Q. Where did this order originate?

A. I don't care to discuss the details of our sales policy or our sales either.

Q. Would it be fair to say that the public information is that this order originated in China?

A. No; it is not true.

Mr. TAYLOR. Mr. Administrator, I am afraid I will have to make an objection to that line of questioning.

Administrator ANDREWS. I think the question is verging on a matter that might be the private concern of Mr. Lewis' company.

Mr. BORKEIN. As a matter of fact, if I may note, Mr. Administrator, it is a public fact, because the only source of my information is the Daily News Record.

The WITNESS. I had in mind sheets and pillowcases. I recall my answer.

Q. Mr. Lewis, just two more questions. You referred to this industry as a sick industry?

A. Yes.

Q. When did it become sick?

A. It has been sick some little time.

Q. 1920? Did the sickness begin in 1920?

A. Well, 1920—I can't remember back there what happened in 1920.

Q. I mean about when, at the beginning of the twenties, at the end of the twenties?

A. I would say for a term of years, that is as far as I am willing to go.

Q. After the war?

A. It had a hard time before the war.

Q. A period before the war.

A. It has been a difficult business all the way through.

Q. And it was on the basis of your conclusion that this industry was sick that you inferred that wage increases were unjustified?

A. You mean this wage increase?

Q. That is correct.

A. And my knowledge of the general Southern picture from my contact with it made me feel that way.

Q. Mr. Lewis, was the industry sick in 1933?

A. It was very sick in the early part of 1933.

Q. How much of a wage increase resulted in the South as a result of the N. R. A. per hour, how much increase occurred in the earnings?

A. Of Southern cotton textile workers, as the result of the N. R. A., I don't know, I haven't those figures with me.

Q. Would you agree with the conclusion of a mathematical computation arrived at from a review of these figures that it was about 73.7 percent?

A. I have not made a calculation.

Q. Do you believe that is approximately correct?

A. Well, the increase in labor costs, cutting hours from 55 to 40, amounted to 37½ percent. I think there was an additional increase over that.

Q. But there was such an increase made?

A. That increase was made because the conditions under which the N. R. A. went into effect were very highly—full of speculative buying, and that type of thing that enabled the mills to do that. In times of prosperity, I think they nearly always raise wages.

Q. Mr. Lewis, were there any wage increases since 1933 in the southern cotton-textile industry?

A. Yes; there were several.

Q. Approximately when?

A. I think the last of 1926 and in 1927—I mean 1936 and 1937.

Q. Approximately how large were those increases?

A. I dont' know.

Q. Would you say a range of about 10 to 12 percent would describe the general trend during that period?

A. I don't know.

Q. How much of a wage increase did you grant in your plant?

A. I don't recall.

Q. Mr. Lewis, wage increases were granted during those years, though?

A. Yes; they generally were.

Q. The industry as a whole was still sick during those years?

A. Well, I don't recall exactly the condition when the wage scale was raised.

Q. You testified the industry was sick, well, since some unknown date prior to or immediately after the war?

A. I say off and on it has been sick. There has been times of prosperity.

Q. Mr. Lewis, your concern reduced wages approximately during the summer of 1938, in the summer of 1938?

A. Yes; in the summer of 1938.

Q. Why were you caused to reduce those wages?

A. I don't feel that it is up to me to testify as to the details of our business. It seems to me that sort of question is unfair and out of order. We did it because we thought it was necessary to do so.

Q. I am sorry.

A. We did it because we thought it was necessary to do so in view of the conditions.

Q. Would it be fair to ask you whether those reductions in wages were made because other employers in the industry made such wage reductions?

A. We always act individually in running our plant.

Q. Did you make any such statement to labor representatives during that period?

A. I don't recall what I said to the labor representatives.

Q. Mr. Lewis, you testified that you were President of the Erwin Cotton Mills?

A. Yes, sir.

Q. At Durham, North Carolina. Are you a member or officer of any other cotton mills?

A. Vice President of Oxford Cotton Mills.

Q. Are the members of your Board of Directors members of other industrial and financial concerns? For example, is Mr. Watts Hill a Director in other industrial and financial institutions?

A. He is a director in financial institutions. I don't know about cotton mills.

Q. I said textile mills.

A. Textile mills? A cotton mill is pretty much the same thing.

Q. I include hosiery in textiles as well.

A. I think he is—I don't know whether he is on the Board of Directors of the Durham Hosiery Mill or not.

Q. Mr. Lewis, do most of the members of your Board of Directors and yourself secure compensation and dividends from other concerns, in addition to your own?

A. Well, some of them do, probably. I don't know their business.

Q. Thank you very much. Just one more question. Are there Northern manufacturers who produce sheetings and pillowcases?

A. Yes.

Q. Are you acquainted with the wage scale prevailing in those concerns?

A. Some of them are higher than ours. I don't know about others.

Q. Do you believe the establishment of a 32½ cent minimum wage will raise your wages to parity with theirs?

A. No, I don't think so, not the ones I had in mind.

Mr. BORKEIN. Thank you.

Administrator ANDREWS. Are there any other questions?

Mr. SHISHKIN: I just have a few questions, Mr. Administrator.

By Mr. SHISHKIN:

Q. Mr. Lewis, would you consider the railroad industry a sick industry?

A. Very sick.

Q. Do you know whether the railroad industry is paying wages higher than are paid in the cotton-textile industry?

A. I imagine so; I think so.

Q. From your own knowledge, do you know whether those wages are substantially higher in the railroad industry than they are in the cotton-textile industry?

A. I don't know anything about common labor on the railroads. I understand the trainmen get considerably more.

Q. Are you familiar with the report of the President's Commission that recently ruled on the question of wages in the railroad industry, recommending the maintenance of existing wages?

A. I remember reading about it in the paper.

Q. Would you consider that the recommendations made were proper?

A. I am not a student of railroad matters, and I don't know.

Q. Mr. Lewis, on page 12 of your statement, you referred to differences in wages between the North and the South and you referred to the common-labor rates.

Are you familiar with the fact that the rates of common labor for the South and the Southwest as a whole are 34.8 cents per hour?

A. I don't believe they are.

Q. They are so reported by the Bureau of Labor Statistics in their current publications for July and August 1938. Would you consider that rate as reported, and assuming that that rate is correctly reported by the Bureau of Labor Statistics, would you consider that

rate to be substantially above or below the rate now in effect in the cotton-textile industry?

A. I think that is above the rate in the cotton-textile industry and nearly all other occupations.

Q. In making the average of the common labor entrance rate, the average made in the survey by a Government average would represen the major portion of the industry, would it not?

A. I don't understand that.

Q. The average compiled by a Government agency for such a figure would represent a major portion of the industry surveyed, would it not?

A. I don't know how they make it or anything about it.

Q. Mr. Lewis, with reference to the relationship between the wages and value added by manufacture in textiles, and in the paper-manufacturing industry, the rates reported by the Bureau of Labor Statistics, average wages, for August 1938 are for the paper industry group generally 76 cents per hour, and for paper and pulp 61.7 cents per hour, while for the same period the average wages for textile fabrics are 46.4, and for cotton goods 38.3 cents. Would you say the wages paid by the textile-fabrics industry represented by these figures were substantially above those for the cotton industry?

A. From those figures I would. I understand the wages in the pulp mills in the South are very much below that. They are having a lot of trouble meeting foreign competition even on the present basis. The raw material that goes to the paper mill of course comes from the pulp mill, and it has a great deal to do with the competition.

Q. Compared with the rates for the industry as a whole in the two groups, that would be a fair basis?

A. Of course if those figures are correct, why, that is true.

Q. In order to relate the position of the paper industry as a whole with that of the cotton-textile industry as a whole, it would be fair, would it not, to compare the average wage for the entire industry in each case?

A. For the whole industry, I should say so.

Q. On page 11 of your statement, you made a reference to the fact that since June 20 the price of cotton has advanced further. And in that statement you have referred to the fact that in other words it would seem the price of cotton increased about as much as the advance stated of the goods.

A. I am sorry; I didn't hear you.

Q. I was just quoting from your statement, in other words, it would seem the price of cotton increased about as much as the advance stated in the goods. Is it not a fact advances in goods prices at this time of the year are usually seasonal, largely seasonal?

A. I wouldn't say that. You would have to decide on the circumstances of the demand that happened to arise.

Q. In a statement to which reference has already been made, on page 15, in which you deny that stabilization of industry is the fundamental purpose of the Act, would you consider that a fair expression of the intent of Congress as stated in Section 2–a and 2–b in which reference is made to the conditions that burden commerce and the free flow of commerce, and constitutes an unfair method of competition?

A. I think it is a fair statement. I think the intent of Congress, primary intent, was to establish a floor under wages.

Q. Would you consider elimination of unfair methods of competition was intended to stabilize industry?

A. I don't know just what unfair methods of competition meant in the law. I have often wondered.

Q. You are in accord, you and your association, with the general purposes of the Act?

A. General objectives of it; yes.

Q. With reference to the question of mill margins to which you referred on page 10 of your statement, Mr. Lewis, are you familiar with the fact, in the light of your own experience, and that of your own firm, which has been in operation in the textile industry since 1892, of the mill margins that were in existence during the pre-war period, say, between 1900 and 1916?

A. No; I don't know what they were.

Q. You don't recall by any chance during that period there was a period of three or four years when the mill margins were approximately at the same level as the figures you have cited?

A. No, I don't recall the level at all.

Q. Mr. Lewis, in the figures made available to the Committee and to the Administrator on mill margins, data has been furnished in the record of the status of the mill margins during the time the N. R. A. Code went into effect. I have these figures before me. But would you be in a position to state whether the adoption of the 30-cent minimum had any—in any way diminished the mill margins as the immediate and direct result?

A. I don't recall. I wouldn't state that they did.

Q. Would you state the adoption of the minimum wage did not have any adverse effect?

A. I have said before when the N. R. A. went into effect, buying power was so great, it enabled the mills temporarily to take care of the increases.

Q. In other words, the effect in your opinion of the adoption of the minimum wage was to increase buying power?

A. No, I think the increase in buying power came from demand for goods all over the country. Everybody got into a speculative buying frame of mind.

Q. Would you say that there is a basic difference between potential demand and effective demand in the expression of the purchasing power?

A. I think it is right much psychological. Sometimes people get the buying fever.

Q. Isn't it a fact that in order to make potential demand effective, it is necessary for the consumer to have the actual financial equipment in the form of cash to make buying power effective?

A. It means that they want to buy it. They have got the idea that it is time to buy it.

Q. Mr. Lewis, would you say that there are substantial differences in the minimum wages in effect within the South?

A. Will you repeat that, please?

Q. Would you say that in your judgment there were substantial differences in the wages paid as between the various states or various parts of the South?

A. Yes, between individual mills.

Q. Would you say those differences were as substantial as might be differences between some individual mills in the North and in the South?

A. I don't know; I have no figures on it.

Q. Of your own knowledge, Mr. Lewis, do you have any information as to the wage differentials between various occupations in the textile mills, such as weavers, spinners, doffers, loom fixers, in any plants, or in your own plants, for the same workers in similar types of goods in South Carolina, Georgia and Alabama and Mississippi, as compared with North Carolina?

A. I have no information that is definite enough to quote here.

Mr. SHISHKIN. That is all I have.

By Mr. PITTS:

Q. Mr. Lewis, you stated earlier, in answer to a question of Mr. Taylor, that the marginal mills in the South

would be disastrously affected by the establishment of the 32½-cent minimum?

A. I think they would; yes.

Q. What is your understanding of what these marginal mills are? Could you define that term for us? We will be using it a lot, I think.

A. I think a marginal mill is a mill that is struggling for existence.

Q. Is not small necessarily nor large?

A. I wouldn't say that. It depends on the condition of the mill. I don't think the size has anything to do with it.

Q. Nor the location, whether in the North or the South, there are marginal mills you believe that will be adversely affected in the North as well?

A. I have no information about Northern mills except I know a little about the ones that we compete with.

Q. Could you give us some estimate of the number of employees employed by the so-called "marginal mills" in the South?

A. No; I think a very inadequate study has been made of that whole thing. I think this whole thing is based too much on opinion and too little on factual evidence.

Q. Neither you nor your association have any figures whatever to substantiate your opinion that the 32½ cent——

A. We have no statistics as to just which are marginal mills and which are not. We do know many of them are in very bad condition.

Q. You don't know how many employees would be affected if the so-called marginal mills were forced to close?

A. No; a great many more than what you call "a substantial number," though.

Q. But no specific number are you willing to even estimate?

A. I have no way of designating just which are marginal mills.

Q. You have on page 12 made some reference to the calculations presented in Washington by Mr. Tolles, the Economist who testified there. Have you or your association made any calculations of your own to establish the error in Mr. Tolles' own calculations?

A. We have no way of telling just what the increase in wages would be. The mills as a rule have not decided just what will have to be done.

Q. You do believe Mr. Tolles' own calculations are incorrect?

A. I think they must be incorrect. I don't think anybody could get that information.

Q. On what basis can you make that assertion if you have made no calculations of your own, Mr. Lewis?

A. Because he has no way of telling what the individual mill is going to do. I don't know myself in our own mill what we are going to do. Mr. Tolles couldn't possibly reach a conclusion that would be accurate based upon so little information.

Q. Do you think that Mr. Tolles' own estimate might be too high, by any chance?

A. I don't know. I am not in position to say.

Q. You know what his estimate of the increase in labor costs would be?

A. Six and one quarter.

Q. That is right. And you would make no comment on whether that is too high or too low an estimate?

A. I think it is impossible to accurately tell.

Q. So that your conclusion that Southern mills may be adversely affected by 32½ cents minimum is based by absolutely no data, no factual data?

A. We know a good deal about it.

Q. I didn't understand it.

A. We know a good deal about it from talking to a great many mills, but we have no statistics as to exactly the number who would raise wages 1 percent and another another percent; we don't know.

Q. Do you know the wages paid in those marginal mills?

A. No; I haven't got a record of those wages.

Q. And those persons with whom you consulted, and who operate marginal mills didn't furnish those figures.

A. No; but we know a good deal about their conditions.

Mr. PITTS. That is all.

Mr. HARRINGTON. Mr. Administrator, I have a few questions.

Administrator ANDREWS. How long will it take?

Mr. HARRINGTON. About three minutes. I am appearing for the National Association of Cotton Manufacturers, J. P. Harrington.

By Mr. HARRINGTON:

Q. Referring to your statement on page 15, Mr. Lewis, do you make that statement that the South is adversely affected by freight rate discriminations on behalf of your own mill, or is that a general statement?

A. That is a general statement.

Q. Now, is that true as to your own mills?

A. My information is that it is true, but I don't know how much.

Q. Do you know the spread paid in freight charges between, or for delivery at, New York City between your mill and a mill in the Atlanta, Georgia, Group?

A. I know very little about freight rates, I couldn't answer that question. We will have other testimony on freight rates.

Q. I am merely going to your statement here.

A. My knowledge is very little on freight rates.

Q. Your statement as to the longer time required is in the same manner not of your own mill but just information given to you?

A. It applies more to the mills further South than it does to us, because we are in the Northern branch of the Southern industry.

Q. Do you know or would you care to state what percentage of your denim traffic is sold in the South?

A. I don't know about that.

Q. Do you know if any manufacturer of denims in the North can compete with you in the South?

A. I couldn't answer that question.

Q. Do you know what the freight rates are on denims from the North to the South?

A. No, sir.

Q. Compared to your rates?

A. No; I am not qualified as a freight-rate expert.

Q. I was merely checking on these statements in your statement, not going beyond those.

A. That is my belief, that it can be demonstrated.

Q. But you are not demonstrating them yourself?

A. I am not demonstrating them myself.

Q. This is just a general statement?

A. Freight rates are so complicated, and all that sort of thing, I have never been able to grasp it to start with.

Q. You recognize that between Southern producing points reaching common markets there is a variation in the freight rates between those Southern mills?

A. Yes, there is some variation there.

Q. What do you mean by some?

A. I don't know how much, I haven't got that freight rate information with me.

Mr. HARRINGTON. That is all.

Mr. TAYLOR. The witness has repeatedly stated he is not an expert on freight rates. I might say we will have some qualified people here to speak on that, and if Mr. Harrington wants to examine them, he will have that privilege.

Mr. HARRINGTON. I had finished, Mr. Taylor.

Redirect examination by Mr. TAYLOR:

Q. Mr. Lewis, Mr. Abt or Mr. Pitts alluded to the 6.25 estimate by Dr. Tolles as to the increase in labor costs that would result from the establishment of the 32½ cent minimum.

Would such a readjustment as would have to be made have to be made by individual establishments?

A. Yes.

Q. Is it your understanding that this figure advanced by Dr. Tolles is an average figure?

A. Average for the South.

Q. Average for the South. Consequently, in your opinion, will the cost in individual instances probably be more than 6.25 percent?

A. Yes.

Q. In your opinion is it likely that it might be as much as 10 percent in some instances?

A. I couldn't say, but I should think so.

Q. Is it your opinion, Mr. Lewis, that this matter of the effect of the increase in cost, in the case of individual mills, is a sufficiently material and relevant factor that it should have received the attention of Industry Committee No. 1?

A. I think so.

Q. Would you say that that is especially true in attempting to appraise the effect of this proposed minimum upon employment?

A. I do think so.

Q. Mr. Abt alluded to the increases in prices of raw cotton. Mr. Lewis, is it your experience that the market is likely to go up when the price of raw cotton goes up?

A. Ordinarily it does.

Q. Does that same thing hold true when wages are raised?

A. Not as much as in the case of cotton.

Q. Was there any improvement in the market as a result of the establishment of the 25-cent minimum in October?

A. None that we could notice.

Q. Did the market improve when the announcement was made that Industry Committee No. 1 had voted a 32½-cent minimum?

A. No.

Q. Is your mill now operating at a profit?

A. No.

Q. How long since it has operated at a profit?

A. We had a loss in 1938 and a loss up to date this year.

Q. Were you losing money at the time of the wage decrease referred to by Mr. Abt, and Mr. Borkein?

A. Yes, we were.

Q. Mr. Lewis, is it true that since the World War the cotton mills have tended to utilize their machinery more intensively than they were before the war, through double or triple shifts?

A. Yes; there are a great many more double shifts.

Q. Has this practice tended to increase the capacity of the industry?

A. Yes.

Q. And has this tended in turn to make competition for the available business more intense?

A. Yes; decidedly.

Q. And has this had a depressing effect upon prices?

A. Yes.

Q. And despite the bales of cotton consumed has it been necessary in this period to eliminate several millions of spindles?

A. Yes; spindles have gone down right much.

Q. Were some of these spindles eliminated through the processes of bankruptcy?

A. Yes.

Mr. TAYLOR. I think that is all.

(Witness excused.)

TESTIMONY OF MR. CHARLES A. CANNON—(1526)

Mr. Cannon, after stating that he lived in Concord, N. C., and that he was a member of Industry Committee No. 1, testified as follows:

You selected the textile industry as the No. 1 industry to be considered under the Fair Labor Standards Act, and I have no doubt but that the fact that it is considered a sick industry, the fact that the hourly wage rate is lower than steel, etc., and the fact that some few mills have extremely low wage schedules influenced your judgment in selecting this industry as the first one to be considered by the Industry Committee.

I believe that the experience of this committee clearly indicates that this was possibly a mistake, I have noticed from the press that several other industry committees have made recommendations, all of these, I believe, higher than the Textile Committee recommended. The Congress of the United States fixed a 25 cent minimum for the first year and a 30 cent minimum beginning with October, 1939. The fact that the textile industry is one of the industries with the lowest hourly wage rate does not necessarily mean that it is the industry that can first be advanced to a higher scale. The 25 cent minimum raised the hourly rate of a large number of common laborers in the textile industry. . . . (1531)

. . . If, after due consideration, you should reject the recommendations of Industry Committee No. 1 and allow the 30 cent minimum to become effective in October of this year, I am convinced that it would create a solid foundation for further consideration of the minimum wage in the textile industry. The industry would have had one year's experience with the 25 cent minimum; and while the selling price of

goods above the price of cotton up until the (1532) present time has been most disappointing and represented a loss to most of the industry; it is to be hoped that at least before October the present slight improvement in demand for goods will have placed this industry on a break-even basis. . . .

Many things have happened since your Industry Committee No. 1 was appointed in September of 1938. The Government loan policy on cotton has created an acute problem for the industry. The trade agreement entered into with Great Britain, Canada, and other countries has created a new problem. The farm bill that is now before the Congress setting up an export debenture is an entirely new problem, and coupled with that, the tariff adjustment that has been proposed, looking to a protection to the American mills against the importations of cotton (1533) goods manufactured from American cotton purchased at a lower price than American mills can secure. Coupled with the export bounty on cotton, it is also proposed to have an export bounty on American goods. The importation of cotton goods from Japan during the past year has apparently been curtailed on account of war conditions in that country. It is now feared that Japan is again ready to flood the American markets with the full amount of goods allowed under the Japanese quota agreement. All the above new elements have been created by acts of the Government. If this industry, which is recognized as a sick industry, must meet all the new situations outlined above, truly they should not be called on to put their minimum wage, which applies to common labor, out of line with other industries which have not yet considered a wage order, or further out of line with common labor generally in the territories where the textile mills are located.

It may well be argued that your Industry Committee No. 1 studied the problem for six months, and your delay in

accepting their recommendation would foreshadow another long delay, should you wish to appoint a new committee to consider the problem after October of this year. I should like to suggest to you that if you are called upon to appoint a new committee after October to consider (1534) the wages in the textile industry, there are certain conditions which should be carefully guarded against. If I understand the duties of an industry committee, they are to receive evidence, study the industry, and base their conclusions on the evidence. I am frank to say to you that I do not believe that your Committee No. 1 took the above view of their duties. In appointing a new committee I think the proper instructions which would clearly explain their duties to them should be given to every member of the committee. I do not think that any member of the committee should go into the hearings with instructions from any group or association as to the minimum wage he should support. I do not think that any member of the committee should fail to hear the testimony or express the opinion that evidence was not needed as everyone has already made up his mind. I do not think that any member of the committee should be appointed for any reason at the last minute and be required to vote, when he has not had the benefit of an opportunity to hear the evidence and discussions by the committee. I feel it my duty in all frankness to say to you that the above conditions existed in Industry Committee No. 1.

I have ben shocked to know from the public press that at the hearings in Washington last week technical (1535) questions as to the right to have certain evidence presented have been argued before you, and also the opinion expressed that certain mills that could not pay the 32½ cent minimum wage should be put out of business. I beg to submit that this is not a court proceeding in which we have a criminal at the bar and in which his attorney might be justified in using every technicality to save his life. The object of this law is to improve the income of the employee at the lowest end of the wage scale. It is equally important that the individual who is capable of doing only common labor should not be deprived of an opportunity to work by placing an hourly wage that would greatly curtail the number of positions open to

him. If there is any group who claims to speak for the employees in this industry, they should certainly be willing to submit to you full information as to whom they are speaking for, and by what authority. I do not believe, Mr. Administrator, that you wish to assume a position of a commissar and fix any minimum wage in defiance of the law that would close down small mills, representing possibly the only pay roll in isolated communities, just because some witnesses have an idea they could take up the unemployment at some distant point. . . . (1536)

During the improved market conditions in 1936 and the early part of 1937, there were general increases above the Code level of wages. In spite of the very unsatisfactory market conditions during the last year, a very large percentage of the textile employees are still above the NRA Code wages. With the 30 cent hour minimum effective in October, there will be more nearly a uniformity of wage scale than has ever existed in the textile industry.

It is unofrtunate that one section of the country should be set against another section in considering the establishing of a minimum wage in this industry. If the press reports are correct, many exaggerated statements have been made with an apparent intention of influencing you to save the Eastern mills by putting a uniform 32½ cent minimum wage into effect. I would get the impression that some new and terrible Monster had arrived upon the threshold (1537) of the New England textile industry and only the Federal Government was strong enough to protect them from complete destruction, and that in saving them, only the welfare of the employees in another section was on their minds. What are the true conditions? The freight rate situation should be clearly presented to you. The Southern textile industry has labored under freight disadvantages from the time it started more than 50 years gao. The textile industry in the South has offered employment to tens of thousands of people who were almost entirely dependent upon agriculture before the

coming of the textile industry. We do not hear any great cry on the part of the would-be saviors of the textile employees that the cotton farmer should be protected. In fact, it was an Eastern mill that was successful in having the processing tax declared unconstitutional. Mr. Secretary Wallace has expressed the views that the plight of the cotton farmer would not be half so serious as it is today, if his AAA farm program had been continued. I do wish to call to your attention the fact that it all depends on whose ox is being gored as to whom our would-be saviors are interested in saving.

If you should call a new committee together in the view to considering a higher minimum wage than 30 cents, the assistants in your department should be instructed to (1538) furnish information and not to attempt to express their opinions and then have the committee to follow same. The work of Committee No. 1 was made much harder, and in fact I think their determinations were greatly prejudiced, by the conclusions in the reports which were advocated by members of the staff and the publicity given by a part of the staff to their conclusions. Much of the information submitted by the staff of the Wage and Hour Division was based entirely on theory. Their conclusions were incorrect, and no statement made by them before the full committee was ever adequate to correct misinformation which they had originally submitted. Anyone familiar with the manufacturing and marketing of textiles is fully aware that once the cost has been added to the product, from that point forward it must carry its share of the burden, whether it be overhead, taxes, commissions, loss in seconds, or profits, or any other cost. In spite of the above, which appears to me to be the A. B. C. of the cost of distribution, your staff submitted figures to show and gave publicity to the fact that the cost added by the manufacturer would become less and less through each step the goods traveled, and might in fact be absorbed or wiped

out before it reached the consumer. The members of Committee No. 1 were actually criticized by your staff for objecting to this type of information (1539) being made public by the staff, on the grounds that the members of the committee should have objected to it when it was put in evidence. I beg to submit that, if a new committee is appointed, they should not be subject to any such high pressure evidence, conclusions, and publicity. It is a fact that new figures were furnished to the sub-committee which more nearly show a correct appraisal of the cost item, but the first figures were not properly withdrawn from all members of the Committee, and the damage had already been done and was never properly repudiated. I, therefore, wish to suggest to you, Mr. Administrator, that if you reject the 32½ cent minimum wage and allow the 30 cent minimum to become effective in October of 1939, you will be carrying out the law as written by the Congress, you will be serving the interest of a great number of employees in the textile industry, and if the condition develops at any time, it is my opinion that you could summon a committee, and with the proper instructions, study and arrive at a recommendation for a higher wage in a very short time. . . . (1541)

The subject of freight rates, they never receive (1542) consideration from the Committee, as I recall it, and Mr. Nelson, the Chairman acknowledged it when it was given publicity. . . .

THE WITNESS: Mr. Administrator, if you will allow me to offer a suggestion at this time, I think that it might be helpful. You will find from the evidence that the question insofar as freight rates is concerned was not mentioned, no evidence on it in the record and if there had been any such

evidence taken up, that the same would have been (1543) submitted by traffic experts, which were never called . . . (1544)

THE WITNESS: Mr. Administrator, I wish to make a statement here—I am here without counsel, Mr. Taylor is representing the American Cotton Manufacturers Association, and Mr. Pitts was supposed to be counsel for the Committee, and might I request that Mr. Pitts put in the proper objections on my behalf as representing the Minority of the Committee, so that I may be taken care of properly, in the midst of all of these objections by these other lawyers here. I thought it was Mr. Pitts' duty to represent the Committee.

MR. PITTS: I was assigned as counsel for the Committee, (1545) and I am representng the majority of that Committee, and I am here to interpose objections for my client, which is the majority of that committee. Now, I would like to—for the purpose of the record, to state that I also want to register a continuing objection to all questions put, relating to the procedure of the Committee, for the reasons already stated.

THE WITNESS: I think that I should have some attorney here representing me. . . . . .

THE WITNESS: It wasn't my impression that counsel for the Majority, or for the Committee, was to be an advocate of anything in particular in this case, and I thought that it was his duty to try to be of assistance to the Administrator in obtaining information, and that is what I am here for, and that is the reason that I am (1546) here.

ADMINISTRATOR ANDREWS: I have a general counsel here to advise me. . . .

You say that the subject of freight rate differentials were not considered by the Committee, is that correct?

Some freight rate figures were submitted by the department, and at that time, the request was made that when we considered the freight rates that we have the opportunity to bring freight rate experts before the Committee and obtain the benefit of their information on the subject, and no freight rate experts were ever brought in.

Is the subject of freight rate differentials in your opinion, Mr. Cannon, sufficiently relevant to this inquiry and material to the questions raised in this matter that it should have been considered by the Committee?

I think that it is a very important subject, and that any determination above the minimum of thirty cents should give very careful consideration to the freight rate question.

Mr. Cannon, in your prepared statement, the matter of annual wages, it is stated, was not given consideration by the Committee or that it was not given sufficient (1547) consideration. Would you care to elaborate any on that statement?

Yes, sir. From the papers, I have gotten the impression that many industries that were ordinarily referred to, and are ordinarily referred to as high wage industries, when you arrive at their annual wage, it shows that they don't operate the full number of weeks in the year, and, therefore, the annual wage of the textile employee is far more favorable than the hourly rate would indicate, based on the annual income.

But the Committee, you say, made no investigation, or made no considerable survey, or received no evidence on that question?

I don't recall that any evidence was ever considered at all by the Committee on that subject.

In your opinion, should that question and evidence on that question have been considered by the Committee?

I think so, because I think that it was a very important question.

Mr. Tolles testified in Washington that if this minimum is approved, that the increase in the total wage bill in the south would amount to approximately 6.25 per cent. I wonder if you care to comment on that statement? (1548)

The figures which were originally submitted by the Wage and Hour Division were evidently incorrect. Proper consideration, I do not think, had been given to the increased cost at any point through the line. After careful consideration, and much to our surprise, was the finding that they had not only misread the added cost that went on, but that they had jumped over and then used the then existing price, which was most unfavorable to arrive at their conclusion, and it is true that we did have some new figures submitted to a sub-committee, and I think that there was as much difference in those and the other figures as forty to fifty per cent, in the difference, in the difference of the conclusions, as between those two sets of figures. The last set of figures, as I understood it, never did give the proper weight to the increased cost as it went through the different changes along the line, and it gave no consideration at all to the proposed increased cost of wages. . . . (1549)

Mr. Cannon, was any investigation or survey made by the Committee, or did the Committee receive testimony on the effect of any given wage minimum on individual estab-

lishments, and particularly with reference to the probable number of employees that would be displaced?

There was never any consideration given to any individual wage scale or wage schedule, and individual mills; all that I ever saw were averages. (1550)

In your opinion is that a sufficiently material or relevant matter that it should have been gone into by the Committee?

Unquestionably if the so-called marginal mills are forced to go out of business, the more modern mills would reduce employees, and I think it raises a very serious question as to the number or the amount of unemployment that it would create.

Was there any investigation made of the financial condition of any group of weak or marginal mills that might be forced out of business by a higher wage minimum?

No investigation of any financial condition was made of any mills.

In your opinion is that a matter of sufficient relevancy and materiality that it should have been considered by the Committee?

Considering the fact that this is an industry which has a group of small units, I think the financial condition and the age of the machinery used bears on the present ability to stay in operation and was something that is a material factor.

Was there any investigation made, Mr. Cannon, as to the distribution of obsolete equipment?

None. (1551)

Mr. Cannon, there has been a great deal of testimony to the general effect that this minimum if applied would increase general purchasing power. Was any investigation made of the effect of this or any other wage minimum in terms of net increases in purchasing power, and by that I mean such increases in purchasing power as are not transfers of purchasing power from one group to another?

No investigation was made and only the most general testimony which you might have gathered from the witnesses that if you raise two men's purchasing power you are going to buy the product of one whole mill.

Mr. Cannon, in your opinion, does the reciprocal trade program of the Government have a bearing on the economic and competitive condition of the cotton textile industry?

Unquestionably it does have. I don't think we have felt the full effect of it yet. It is one of the problems that has not yet been met, and successfully overcome, in the textile industry.

Was there any investigation made on that subject?

If I recall correctly, the British trade agreement was signed when the Committee was half through its work, and no investigation was made.

Would you be prepared to say substantially the (1552) same thing as to the Government's cotton export subsidy program?

That has all come up within the past few weeks, since the 32½ cent minimum was recommended.

And of course it was not considered by the Committee?

No.

Was there any investigation made or any data received as to the effect of the Government's cotton loan program on the economic and competitive conditions in this industry?

There was no investigation, and I don't recall any particular testimony on the subject.

In your opinion is that a material or relevant factor that should have received the attention of the Committee?

That in the past few months has become a very acute problem. At the time that this Committee started its work, it was nothing like as an acute problem as it is now.

If the Committee were to go into session now, I think it would be one of the first problems that it would have to consider.

Mr. Cannon, based upon the testimony adduced by the Committee, what branch of the cotton textile industry, (1553) or what branch of the industry within the jurisdiction of the Committee would be most affected in the way of increased costs by any raising of the minimum?

Without first hand knowledge of it, I think the carded yarn mills, and the coarse goods mills, and those located in the states possibly of Texas, Alabama, Mississippi, would be most affected, and possibly Eastern Carolinas.

Was there any study made of the probable effect of this or any other minimum upon those particular divisions of the industry, or were the figures mostly lumped together as averages for the industry as a whole?

The figures that were submitted were averages. We did have some testimony from various groups showing what the effect would be in their individual territory.

Mr. Cannon, do you have knowledge as to the general condition of the textile industry in the South or in any particular area?

At the present time?

Yes, sir.

Yes. The past year, twelve months period, has been a very unsatisfactory one. It has grown progressively worse, I think, ever since November or December of last year and shows a slight improvement in the demand for goods at the present time, covering the past two weeks, I think. (1554)

Mr. Cannon, in your opinion, would the approval of the 32½ cent minimum substantially curtail employment?

The approval of the 32½ cent minimum would substantially curtail employment in my opinion and would also confer a very great competitive advantage on the mills that have been able to modernize their machinery in the past four or five years.

You mean the big, modern, financially strong mills, as compared with the weak, financially weak and marginal mills?

I don't think the size necessarily has anything to do with it, but the mill that has had money to modernize its mill for the last five years would be in a very much stronger position to stay in business at the 32½ cent minimum than the mill that is running machinery that was installed fifteen years ago.

How many employees do you have in your business?

About 20,000 usually.

Have you made any investigation as to the effect of this proposed 32½ cent minimum upon employment in your own establishment?

Our cost engineer has.

What was the result of that investigation?

It is his opinion that we possibly will have to drop as much as 2,000 people from the payroll under the (1555) 32½ cent minimum. . . . . (1578)

BY MR. PITTS:

Could you give us, Mr. Cannon, your definition of the marginal mill that has come up so often for discussion?

If you will bear with me, I will try it. In the American Cotton Manufacturers Association brief, the information was put on that there were about 9,000,000 spindles that had been changed over to long draft, and that was used as an evidence of what might be termed a more modern mill as against the older mills. That 9,000,000 spindles, even deducted from the active spindles which are between twenty-two and twenty-three million today, would leave about thirteen million spindles. Of those thirteen million spindles, I think you would find them all the way from entirely out of the picture on account of their age and obsolescence up until there would be some that would have a little money with which they would be able to bring them into a condition representing efficient (1579) mills. I think you have twelve to thirteen million spindles in various grades of obsolescence that might be termed marginal. . . . .

It is primarily obsolescence of the machinery that determines whether they are marginal or not?

TESTIMONY OF CHARLES A. CANNON (T. 1556)

The witness, a resident of Concord, North Carolina, stated that he represented the Industy Committee No. 1, the Minority. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mr. Cannon, was 1938 a good year or a bad year in the textile industry?

A. Bad.

Q. What was the net operating profit of the Cannon Mills that year?

A. I wish to object to that Mr. Administrator. I am down here to discuss the effect of a minimum wage. As to what the Cannon Mills is doing, it is none of his business.

Administrator ANDREWS. Well, you did testify, Mr. Cannon, that some of your employees would be laid off. But I do think, as far as questions of financial ability are concerned——

Mr. ABT. I don't press the question, Mr. Administrator, but I would like you to consider that objection in the light of the statement he made that his cost accountant told him he would have to lay off 2,000 people if the 32½-cent minimum went into effect.

The WITNESS. If there is any information about our business that will be helpful to you in arriving at a satisfactory answer to this problem, it is available to you, but I am not down here to be cross-questioned about our individual business unless it is of some help to you.

Mr. ABT. I withdraw the question in the light of Mr. Cannon's objection.

Administrator ANDREWS. All right. I see the reason for the question, though, Mr. Cannon, because you did give enough details of your business to the extent to which there would be unemployment in your particular concern.

The WITNESS. Our figures are published, they are not private.

Administrator ANDREWS. Mr. Abt has withdrawn his question.

By Mr. ABT:

Q. Mr. Cannon, you testified that it was your opinion that there was greater regularity of employment in the cotton-textile industry than in other industries by and large, did you not?

A. That is my impression; yes.

Q. Have you any statistical information to support that impression?

A. Nothing except what I have seen in the newspaper.

Mr. ABT. I will ask the reporter to mark these two pages which I will refer to later as T. W. U. A. Exhibit No. 2.

(T. W. U. A. Exhibit No. 2, Witness Cannon, marked for identification.)

Q. I show you T. W. U. A. Exhibit No. 2, which consists of a table of two pages. The table bears the caption, "Table 2, man-hours per wage earner per month, wages per man-hour, and value added by manufacture per man-hour by region and industry, 1935."

It constitutes pages 8 and 9 of the publication of the United States Department of Labor, Bureau of Labor Statistics, Serial No. R–735, entitled, "Geographical variation in hours and wages during 1933 and 1935."

I show you that table, Mr. Cannon, and ask you to look at the first line thereof. Do you see, Mr. Cannon, where it says, "59 selected industries"?

A. Yes; I see that.

Q. Will you look at the table, please, Mr. Cannon?

A. No; I want to see what this is that I am looking at.

Q. Go ahead and examine it.

A. All right.

Q. Are you ready for the question?

A. Yes, sir.

Q. Will you look at the first line of that table on page 8? Do you see where it says, "59 selected industries"?

A. Yes, sir.

Q. Will you look now at column 5 of that table?

A. Yes.

Q. Will you tell us what that column 5 represents, Mr. Cannon, according to the table?

A. Hours worked per wage earner per month in the United States.

Q. And what is the figure opposite the words "59 selected industries" in column 5?

A. 157.8.

Q. And what do you take it that figure represents?

A. Well, I take it to mean this is the table No. 2, man-hours per wage earner per month, wages per man-hour, value added by manufacturer per man-hour, by region and industry, 1935. The colume 5, opposite "59 selected industries" says "157.8."

Q. What do you assume then that figure means?

A. Exactly what I read.

Q. That is in that 59 selected industries there were average working hours per month of 157.5?

A. 8.

Q. 8. Now, will you look down the table, Mr. Cannon, I can't tell you the exact lines, but I think you will find that there are three lines there which have reference to three different branches of the cotton-textile industry. Do you find them?

A. Yes, sir; under textile industries, 24.

Q. Can you give us, Mr. Cannon, the monthly hours worked in 1935 for those three branches of the textile industry from that table?

A. For the United States?

Q. For the United States.

A. Cotton yarn and thread, 141.6, cotton-woven goods, 146.9, cotton narrow fabrics, 158.4.

Q. Is there much, if any, cotton yarn and thread manufactured up North, Mr. Cannon?

A. Oh, yes.

Q. Yes?

A. Yes.

Q. Now, Mr. Cannon, will you look up and down that table and tell me in how many industries you find that the monthly hours worked were less than the monthly hours worked in those three branches of the cotton-textile industry?

A. To begin with, I haven't got the average of those three to compare. In the second place, you have used 1935, when the cotton-textile industry was laboring under processing taxes and the N. R. A. upsets.

Q. I am very sorry, Mr. Cannon, but unfortunately there has not been any census of manufactures published since 1935.

A. I am not responsible for that, sir.

Q. I understand that fact. So you don't care to make that comparison?

A. I can't make it.

Q. May I have the exhibit back?

A. Yes.

Mr. ABT. Mr. Administrator, I offer in evidence as Textile Workers Union of America Exhibit No. 2, the document which has previously been identified under that number or the table rather which has been so identified.

Administrator ANDREWS. Is there any objection?

(T. W. U. A. Exhibit No. 2, Witness Cannon received in evidence.)

Q. Now, Mr. Cannon, I think you testified that it was your opinion that the annual earnings in the cotton textile industry were higher than the annual earnings in other industries, by and large?

A. Let's see if I did. I said I am convinced that a proper study of the annual wage of the individual and the family wage of the textile employees would show that they are far more favorable to the textile industry than the public realizes. I didn't say it was higher.

Q. What do you think the public realizes?

A. I think the public thinks that the cotton textile——

Q. Just a minute. What do you think the public realizes are the annual earnings of cotton textile workers?

A. I think they have gotten the impression from the hourly rate that possibly the wages are—the annual wage is at the very bottom of all industry, and maybe almost as low as agriculture.

Mr. ABT. I will ask the reporter to mark as Textile Workers' Union of America Exhibit No. 3 for identification, a table which I will further identify after it has been marked.

(T. W. U. A. Exhibit No. 3, Witness Cannon, marked for identification.)

Q. Mr. Cannon, I now show you a table which bears the caption, "Table 1, average annual earnings per wage earner for selected industries 1933 and 1935." That table appears in the same publication in which Textile Workers' Union of America Exhibit No. 2 appears. Will you examine that table, Mr. Cannon, please?

A. May I ask are these wages, are these annual hours based on 40 hours per week or some other?

Q. They are based on actual hours worked.

A. Actual. But the industries may work many more hours than the textile industry has since N. R. A., per week.

Q. I beg your pardon?

A. The normal schedule may be a good deal more per week than the textile industry. The textile industry works usually on a 40-hour week.

Q. The original table I offered is a table not of weekly hours but average monthly hours throughout the year?

A. Yes; but if a man cannot work but 40 hours a week in one industry and 50 in the other, he may still be working a considerably smaller percentage of his monthly working week, but still be making more hours.

Q. I am sorry, I can't quite follow you.

A. If you are working 50 hours in one week against 40 in the other, four times fifty is 200, and four times forty is 160. It would be unfavorable to the 160, although the textile worker might be making 100 percent use of his time and the other fellow 25 percent less.

Q. In that connection, Mr. Cannon, for your own information, Mr. Rieve has just called my attention to the fact that inasmuch as those figures were for 1935, when the N. R. A. codes were still in effect, the majority, if not substantially all, of American industry was on a 40-hour week?

A. But not all of it.

Q. I said "substantially."

A. Yes. Substantially means a lot of things.

Q. Have you examined the table, Mr. Cannon?

A. I have the table before me.

Q. Will you look; I think it is at the first line—unfortunately I haven't another copy of the table—columns 1 and 2?

A. Yes, sir.

Q. What is shown in those two columns?

A. Column 1 shows 1933, column 2 shows 1935.

Q. Annual earnings for those two years, is that what is indicated?

A. Average annual earnings per wage earner for selected industries for 1933 and 1935.

Q. Those two columns represent what, or rather the first line refers to what industries?

A. All manufacturing industries, entire census.

Q. Now, what were the average annual earnings per man for all industries covered by the census in the year 1933 according to that table?

A. $869.

Q. And in 1935?

A. $1,022.

Q. Now, will you go down the table again, Mr. Cannon, until you encounter the cotton textile industries, and give us the figures for those industries?

A. You have them under two headings, cotton goods, $570 and $642.

Q. For the purpose of the record, $570 is for 1933?

A. Yes.

Q. $642 is for 1935?

A. That is correct.

Q. Now, the next branch of the industry?

A. Cotton small wares, $760 and $825.

Q. Those are both well below the general industrial average, are they not, Mr. Cannon?

A. They are, but does your chart on the cotton show that was a good year?

Q. Just a moment. Now, will you look up and down the table and tell me how many industries you can find which in 1933 and 1935 had annual earnings lower than those recorded for these two branches of the cotton textile industry?

A. Well, I find cigars and cigarettes, chewing and smoking and snuff. I haven't an average of these two figures you have given me, so I am just using the higher of the two. That suits me better.

Q. That is quite all right. I have no objection.

A. Silk and rayon goods, all these for the year 1935.

Q. Silk and rayon goods, by the way, are within the jurisdiction of Industry Committee No. 1, aren't they?

A. Showing commission throwing, regular throwing, commission weaving, and regular weaving, hosiery, knit outwear, knit underwear, rayon and allied products. That is all for 1933.

Q. Are you sure rayon and allied products shows lower than textiles?

A. You are correct, it shows about $30.00 higher. I beg your pardon.

Q. How about hosiery?

A. It shows $704 against $760 for cotton small wares.

Q. Pretty close?

A. Very close.

Q. There are not a very great number of industries which recorded in 1933 and 1935 annual earnings lower than in the cotton textile industry?

A. You have taken 1933 in which the industry——

Q. I wonder if you would mind answering my question, and then you can make a statement.

A. You ask the question over.

Q. I say, during the year 1933 and the year 1935, there were not very many industries which recorded annual earnings lower than the annual earnings in the cotton textile industry?

A. There were quite a few, there were more that were above.

Q. There were more that were above. Isn't it true, as applied at least to the years 1933 and 1935 that the general public impression as to the relative status of the annual wages of the cotton textile industry is pretty accurate?

A. No, it is very inaccurate because I think the public has been asking if hosiery or some of these others, cigars, maybe—they thought they made very much higher wages, annual wages.

Mr. ABT. I now offer in evidence as United Textile Workers—I now offer in evidence as Textile Workers Union of America, Exhibit No. 3.

That is not quite as funny as you think because it used to be our name, you know.

Mr. CANNON. I have heard that before.

Mr. ABT. I now offer in evidence as Textile Workers Union of America Exhibit No. 3, the document which has been previously identified, or the table rather previously identified under that number.

The WITNESS. And I would like to say 1933 and 1935 were not representative years of the textile industry.

(T. W. U. A. Exhibit No. 3, Witness Cannon, received in evidence.)

Administrator ANDREWS. You mean because it was a year of activity——

The WITNESS. 1933, Mr. Administrator, was a very unusual year. You know we had a very hard time the first part, and then the N. R. A. changed hours and all that. 1935 was a very bad year. The industry was very

badly crippled all during that year. I don't think we have ever had, maybe with one or two exceptions, a worse year than 1935.

Mr. ABT. I now ask leave to withdraw our Exhibits Nos. 2 and 3 for the purpose of photostating them and we will substitute the photostats for the original exhibits for the record if that meets with your approval.

Administrator ANDREWS. No objection.

Mr. ABT. No more questions.

By Mr. PITTS:

Q. Mr. Cannon, I would like to ask you a question.

A. Yes, sir.

Q. You made the statement that out of 20,000 employees 2,000 would have to be dropped if the 32½ cent minimum were established in your own mills?

A. Yes, sir.

Q. Could you tell me how that figure has been calculated?

A. The figure was prepared by the cost engineer. I am not prepared to give you any details on that, except to say that our company has been in business many years, and it has been the policy of the company where we have older employees, people who are incapacitated, that held higher positions, to gradually give them jobs of less responsibility.

A great many of those people we cannot pay 32½ cents an hour on account of their inability to perform efficiently. Of course, we will also have to adopt additional methods of machine production to do away with common labor so far as possible.

Q. Could you tell us what minimum you do pay at the present time?

A. 25 cents an hour for common labor.

Q. Could you tell us what percentage of the total that is?

A. It varies greatly. We have more common laborers during the Fall, in the cotton season, than in any other period.

Q. There is no average you can give us of the number that receive that minmum?

A. No.

Q. Could you tell us the total number that receive less than 32½ cents minimum at the present time?

A. I am sorry, but I don't have that figure with me.

Q. Can you tell us the amount of increase in labor costs that would result in your own operations if the 32½-cent minimum is adopted?

A. We think it will be far greater than any figures that have been submitted, just based on the raising of those that are below the minimum, whatever it is.

Q. Of course, we are just trying to establish how the 2,000 was reached. And you have no data that we can establish that from?

A. I have not with me.

Administrator ANDREWS. General Counsel would like to ask a question on that same point.

Mr. MCNULTY. Do I understand, Mr. Cannon, by dropping these 2,000 employees it was the opinion of your engineer that your total labor costs would not be increased with the 32½-cent minimum?

The WITNESS. It would reduce the total increase, but would increase, of course, the cost, of installing new processes and machines.

By Mr. PITTS:

Q. Mr. Cannon, do you believe that this 32½-cent minimum if established will give any competitive advantage to any region in the country?

A. Under the present market conditions, very serious competitive advantages. I think it is so serious that it would undoubtedly close possibly as many as 2,000,000 spindles in a comparatively short time.

Q. Well, now, what regions will that occur in?

A. I don't know as you could market it out by regions. I think the individual mills located in various regions would be badly affected. I think the ones that would receive the most serious blow would be those that had the most antiquated or obsolete machinery, wherever located.

Q. Would you advocate any differential for those particular regions that you mention?

A. I would advocate that it be studied carefully at any time that it would go above the 30-cent minimum. I think the 30-cent minimum might give us a base to go off from, that we would be far less apt to make serious blunders than by making a 7½ jump under present conditions.

Q. You don't favor any differential in wages for any particular region?

A. Not until it gets above 30 cents.

Q. If the 32½-cent minimum is established, you still would not advocate any differential on regional or any other basis?

A. If any basis above 30 was to be established and I was on the Committee, I would not feel that I followed my oath of office if I did not consider a differential.

Mr. PITTS. Mr. Administrator, at this time I would like to protect the objection that I made to the line of questioning relating to what occurred before the Committee on matters that were considered.

However, in as much as it still has been left in the record by you, I feel for our own protection, further protection, certain questions should be addressed as to the accuracy of the testimony and what did occur before the Committee. And reserving my objection, I would like to pursue that line of question.

Q. It is true, is it not, Mr. Cannon, that when the matter of differential did come before the Committee you voted against that?

A. That is correct.

Q. You voted against any proposal that there be any differential of any kind?

A. Are you speaking now of the final meeting of the Committee?

Q. Yes, sir.

A. That is correct, but there had been other consideration of that in the Committee and Sub-Committees.

Q. You referred to the consideration of matters relating to transportation before the Committee. Was it not true that the subject of freight rates came up in the Committee in January, and that at that time certain material was given to the Committee as a whole?

A. The representatives of the Wage and Hour Division submitted some figures. At the time they were submitted, we requested that whenever they were to be given consideration that we have the opportunity of having our traffic expert come in and analyze those figures and present evidence.

Q. Wasn't the Sub-Committee D of which you were a member asked if any other information, additional information, should be asked for or should be used?

A. If I remember correctly, Sub-Committee D decided not to ask for additional information, and did not consider the evidence that had been presented.

Q. They didn't ask for any additional information?

A. They didn't. And the traffic experts never did appear.

Q. And you were a member of that Sub-Committee?

A. I was.

Q. Did you not propose to the Committee, the full Committee and support a proposition that a 30-cent minimum should be adopted for the industry?

A. Well, I don't know what you mean by proposed to the Committee. A 30-cent minimum was proposed, and I did support it.

Q. Well, do you believe that the Committee gave sufficient consideration to the matters that the statute requires should be considered to have adopted a 30-cent minimum?

A. The discussion of the Committee in connection with that was that the belief was that the textile industry could put into effect sometime during the summer or early fall the 30-cent minimum better than they could in October, which is in the middle of their fall marketing season, and for that reason, and that reason alone, the members of the Committee felt it wise to recommend a 30-cent minimum, and try to have it made effective before the goods were sold for the fall season.

Q. But I don't believe you understood my question, Mr. Cannon. You have in answer to Mr. Taylor's question stated repeatedly that certain matters were not considered sufficiently by the Committee to enable it to arrive at any recommendation, any 32½-cent recommendation?

A. That is correct.

Q. Now, do you believe that the Committee gave sufficient consideration to these points to have arrived at a proper recommendation of 30 cents?

A. Not unless it had been the fact that it was in the law that the 30-cent minimum would have been effective in October.

Q. So that the matters of——

A. It was purely a matter of timing.

Q. The matters of the transportation costs and of annual wages were sufficiently considered for the adoption of a 30-cent minimum?

A. Not at all. The only reason in the world for considering the 30 cents be put out and into effect at the time was that it would create the least disturbance to goods that had already been sold. The law called for the 30 cents in October.

Q. You mentioned, Mr. Cannon, the matter that the British reciprocal-trade agreement had not been considered by the Committee?

A. That is correct.

Q. Are you aware that the Cotton Textile Institute's own brief referred to that matter in great detail with charts on that, and that actually the British trade agreement became effective on January 1 of this year?

A. That was my impression, that it became effective between the time the Committee was appointed in September and the time the 32½-cent minimum was recommended.

Q. And of course the recommendation was not arrived at or voted upon until May 22, of this year, is that correct?

A. I think it was in March, but finally confirmed in May.

Mr. SHISHKIN. May I ask the witness a couple of questions?

By Mr. SHISHKIN:

Q. With reference to the competition with paper products, Mr. Cannon, is it in accord with the facts known to you that a good deal of the competition between paper products and textile products is in cement bags?

A. It is not in accordance with the facts known to me, because I don't make bag goods, but it is my impression that there is a great deal of competition between bag goods and paper.

Q. Do you know or would it be your opinion that the preference for the use of cement bags might be based

on the lack of necessity for sewing, for instance, of the bags, in putting cement into the bags, as well as other factors involved, such as price?

A. Regardless of that, however, it cuts down the amount of employment.

Q. What would cut down the amount of employment?

A. To go to paper from cotton.

Q. Testimony has been introduced, Mr. Cannon, that in the cities of more than 25,000 population in ten Southern cities, there are 730,000 homes where there are not any baths whatsoever. The placing of families in homes where there are baths, would that in your opinion increase the sales of bath towels?

A. I think it would.

Q. You think there would be a substantial increase?

A. I think every bathroom represents an increase.

Q. Do you think an increase in the purchasing power of the low-income groups who are now lacking sufficient income to live in homes with baths is a desirable objective?

A. I am heartily in favor of higher income for the lower groups.

Mr. SHISHKIN. That is all. Thank you.

Mr. PITTS. One question I overlooked, Mr. Administrator.

By Mr. PITTS:

Q. Could you give us, Mr. Cannon, your definition of the marginal mill that has come up so often for discussion?

A. If you will bear with me, I will try it. In the American Cotton Manufacturers Association brief, the information was put on that there were about 9,000,000 spindles that had been changed over to long draft, and that was used as an evidence of what might be termed a more modern mill as against the older mills. That

9,000,000 spindles, even deducted from the active spindles which are between twenty-two and twenty-three million today, would leave about thirteen million spindles. Of those thirteen million spindles, I think you would find them all the way from entirely out of the picture on account of their age and obsolescence up until there would be some that would have a little money with which they would be able to bring them into a condition representing efficient mills. I think you have twelve to thirteen million spindles in various grades of obsolescence that might be termed marginal.

Q. Located in large or small mills exclusively?

A. I think they are everywhere.

Q. Not only North or South?

A. The North has done away with so many spindles that they have possibly gotten rid of a bigger percentage, but up until this time I expect you would have found the marginal mills, a much larger percentage in the East than the South, because it is a newer industry here.

Q. It is primarily obsolescence of the machinery that determines whether they are marginal or not?

A. I think that is one of the prime considerations, along with location, power, and the freight rates, and the skill of the employees in the locality where they operate.

Q. Are the wage rates paid one of those considerations?

A. I don't believe I understand your question.

Q. You mentioned several factors that entered into determining whether a mill was a marginal mill or not. I asked whether the wage rate paid by the particular mills is an additional one of those factors?

A. I think that has more to do with the difference in wages between so-called marginal mills and the better mill than any other one factor, is the age of the machinery and their location.

Q. But the wages then are not related to determining whether or not a mill is a marginal mill, the wages paid now or at any particular time?

A. I don't know which came first, the hen or the egg.

Mr. PITTS. That is all.

Administrator ANDREWS. Mr. Cannon, do you know the average wage of your employees?

The WITNESS. The average wage at our last determination, which was possibly eight or ten weeks ago, was about thirty-eight and a fraction cents per hour.

Q. Mr. Cannon, Mr. Tolles, and others who testified under oath in Washington said that the facts that they presented before the Committee were presented as facts without any opinion on their part as to the effect of a 32-cent minimum or any other rate might have on the industry. Do you recall what particular persons you feel influenced the Committee?

The WITNESS. Mr. Administrator, the publicity that appeared before, I believe, the Wholesale Dry Goods Institute on the first figures which we had showing that certain garments would show no increase in prices was not only unfortunate from a publicity standpoint, but was peddled out to our customers in advance of the Committee having considered the figures, and our customers were told, I don't know whether it was 40 cents or any other price—but that they need not pay any attention to it. That appeared in the press back in January or February, I believe.

Administrator ANDREWS. Are there any other questions?

(Witness excused.)

TESTIMONY OF W. H. ENTWISTLE (T.-1584)

The witness stated that he was president of the Pee Dee Manufacturing Company and vice president and manager of the Entwistle Manufacturing Company,

both of Rockingham, North Carolina. He testified on cross-examination as follows:

Cross-examination by Mr. PITTS:

Q. How many employees are employed by your mills?

A. Approximately 1,400 or 1,450 at the Entwistle, and about 450 at the Pee Dee Manufacturing Company.

Q. About 1,850?

A. Yes, sir.

Q. About how many spindles are operated in those mills?

A. 85,000 at the Entwistle Manufacturing Company, and 18,000 at the Pee Dee Manufacturing Company.

Q. A total of that is what?

A. A total of 103,000.

Q. Do you consider your mills as small mills, your operations as those of a small mill or a small operation?

A. Yes; insofar as the units are concerned, because these 103,000 spindles are located and are scattered over five mills, five plants.

Q. Do you consider yourself one of the so-called marginal mills that have been spoken of so frequently?

A. A good deal nearer than I would like to be.

Q. Will you give us your definition of marginal mills?

A. I am afraid that I cannot improve on the definitions that you have had.

Q. You are referring to Mr. Cannon, that just preceded you?

A. I am.

Q. Can you tell us the minimum wage that you are now paying, and the number that receive it?

A. For outside help, such as scrubbers, I will take at the Entwistle and the three mills, we have less than one percent receiving the 25-cent minimum wage.

Q. How many receive less than the 32½-cent minimum proposed?

A. A few, that would be confined entirely, I think, I am not positive, but I think that it would be confined entirely to the spinning room, and in that case, it would be girls who have not reached the efficiency that they should have reached. She is getting 30 cents an hour, though.

Q. Employees that you class as learners?

A. No; we don't have any learners, and we have not had any since this law was declared—since the 25-cent minimum went into effect, but there are 17- to 18-year-old girls there, who can operate six to eight sides, and our minimum is ten sides.

Q. And they are receiving approximately what wage now?

A. The ten sides?

Q. That group.

A. 32½ cents.

Q. But you have included a number in those, that are including less than 32½ cents?

A. No. I am including which?

Q. Now, let's get it straight. Have you given me the figure of the employees in your plant now receiving less than 32½ cents?

A. No; I gave you the 25 cents first.

Q. That is right.

A. Of one percent.

Q. And my second question was the 32½ cents, and you referred to the spinning room?

A. Yes, sir.

Q. Now, the number of employees is what I am interested in.

A. Well, I can't give you definitely the number of the employees receiving 30 cents, but we have some sweepers that are getting 30 cents.

Q. In the spinning room, no wage is paid less than 30 cents?

A. No wage is paid less than 30 cents.

Q. Have you made any estimate of the increase in your wage bill that will result from the 32½ cents?

A. Only an estimate, because we haven't even decided what we will do, or what we will have to do, or how we will meet the situation.

Q. Of course, you have anticipated the adoption of the 32½-cent minimum wage, and made some computation on that basis in order to appear here today and state the effects of that, have you not?

A. Not definitely; no, sir; I haven't stated the effect, because I don't know what the effect will be.

Q. You have stated that you are opposed to it because it will adversely affect your own operations?

A. Yes, sir.

Q. But you have no factual data on which to support that?

A. Nothing definite; no, sir.

Q. And you cannot give the percentage of increase in your wage bill which will result from the 32½ cents?

A. I will say that it will be eight, and certainly not below seven and a half percent; I would say from seven and a half percent to ten percent.

Q. You would say that the wage increase would be from seven and a half to ten percent, that will result from the increase of the present minimum wage to 32½ cents, is that correct?

A. Yes, sir.

Q. Does that include estimates for increases above the minimum wage?

A. No, sir.

Q. What is the ratio of your labor cost to your total manufacturing cost?

A. Well, I don't believe that I can answer that question.

Q. Is it in excess of that estimate that is contained in the majority report of the Committee, and that estimate is 36 percent?

A. I would think so.

Q. In excess of that?

A. In excess of that.

Q. That was an outside figure taken by the majority for purposes of computation?

A. I heard that read this morning, but I am not familiar with it.

Q. And your own operations, you believe, require a greater labor cost than 36 percent of the finished product?

A. On an average, yes; we have fabrics that are more and fabrics that are less, but on an average; yes, sir.

Q. Can you tell us what your present average earnings per hour are?

A. Not definitely; no, sir.

Q. Do they depart radically from the figure stated in the majority report as an average?

A. What is that figure?

Q. The present average being 36.6 in the Southern portion of the Industry?

A. Mine would compare favorably with that average, I think.

Q. With that average?

A. Yes, sir.

Mr. PITTS. That is all.

Administrator ANDREWS. Are there any farther questions?

By Mr. BORKEIN:

Q. You mentioned that your major product was sheeting?

A. I didn't say that my major product was sheeting. I said that it went into the manufacture of cotton bags?

Q. Well, what is your major production?

A. Print cloth and sheeting.

Q. Do you make any ginghams?

A. Yes, sir.

Q. And dress goods?

A. Yes, sir.

Q. And do you make any suiting?

A. Yes, sir.

Q. You testified that you were in charge of two mills?

A. Two corporations; yes, sir.

Q. Do you have a mill called the Roberdell?

A. That was the name of it before we bought it, but it is not known by that name now.

Q. And it is a part of your corporation now, is it?

A. Yes, sir.

Q. And is it so called now, the Roberdell Mill?

A. No, sir; it is the Entwistle Manufacturing Company's mills 2 and 3, now.

Q. When the N. R. A. was adopted, did you adopt the minimum wage in that Code?

A. Of 30 cents.

Q. Have you granted any wage increases since that time?

A. We did.

Q. At what period?

A. Early in 1937, if I am not mistaken.

Q. Of how much?

A. Of approximately 14 percent, 13 to 14 percent.

Q. A 14-percent increase in the minimum at that time would approximately bring your—would have brought your minimum wage up to about 34.4 cents; would it not?

A. I think so.

Q. Did you reduce your wages since that time?

A. Yes, sir.

Q. To how much?

A. We put them back to 30 cents.

Q. You put them back to 30 cents?

A. Yes, sir.

Q. You just testified to the effect that a very small group of spinners were earning less, that the only employees that were earning less than 32½ cents were outside help, and some substandard spinners?

A. And I said some sweepers and cleaners.

Q. Could you estimate the number of people in all of your plants who are spinners?

A. No, sir.

Q. Would it be more than ten percent?

A. Yes, sir.

Q. It will or will not?

A. It will be more than ten percent.

Q. How much more?

A. Well, that, I don't know.

Q. The only group, though, that might be affected would be a small group in the spinning department, and your sweepers?

A. Yes; the colored outside, spinners and sweepers.

Q. These substandard spinners, how many sides of spinning frames do they run?

A. I just said about six to eight.

Q. What do your normal spinners run?

A. Ten to twelve.

Q. On what size yarn?

A. On 30 and 40's.

Q. Why do they run a shorter assignment?

A. Why do they run that?

Q. Yes; why do you assign them a smaller set of sides?

A. Because they are not efficient enough to run more.

Q. How long have they been spinners?

A. That, I couldn't say.

Q. You testified that during the period from 1933 through 1938, the first part of 1938, you had first granted the N. R. A. wage increase, I believe you said, and then subsequently an additional wage increase of 14 percent?

A. Approximately that, it wasn't quite 14 percent, it was approximately 34 cents.

Q. Can you tell me for each year from 1933 to through 1937, if they were profitable years for your companies?

A. The ones that were?

Q. Which years were not profitable?

A. 1935 and 1936 were not, and 1938 wasn't.

Q. Would you declare that your profits during the year 1937 were $789?

A. What is that?

Q. That it runs at according to published reports or published statements?

A. Was what?

Q. Was $789 during 1935?

A. $789?

Q. $789?

A. That wasn't the manufacturing profit. I don't know what figures that you have there before you.

Q. And would you say that for the year 1936—will you declare that $14,250 were your profits in 1936? Will you declare that to be your profits in 1936?

A. I don't know what figures you have there that you are referring to. That wasn't the manufacturing profit.

Q. Well, I am reading figures published by your company?

A. That was not a manufacturing profit, I can tell you that.

Q. Now, just one more question. Could you repeat your testimony of the number of spindles in your plants?

A. Approximately 85,000 at the Entwistle Manufacturing Company, and 18,000 spindles at the Pee Dee Manufacturing Company.

Q. When were the last operations at your plant that you would consider it to have been run at its full capacity?

A. Do you mean by that, full-time operation?

Q. I mean normal plant operation.

A. Well, we are operating that, approximately now, except at one mill, where we are operating at 25 percent curtailment basis.

Q. How many of your spindles do you operate when you are operating on a normal capacity? Or, I will put it this way, how many of your spindles are standing idle at such a time?

A. At Entwistle No. 2, out of 22,000 spindles, approximately 2,500 of those spindles are closed practically all of the time because of so many colors. We change from one color to another.

Q. Do you believe that it is a customary practice for all mills to have at least some of their equipment, spindles, idle at some time or other?

A. I don't see why, except in cases like that.

Q. You are not acquainted with whether such is the common practice in the industry, to have spare spindlage or idle equipment at some times or other?

A. No, sir.

Q. You are not acquainted with that?

A. No, sir.

Mr. BORKEIN. That is all.

Administrator ANDREWS. Are there any further questions?

By Mr. SHISHKIN:

Q. Did the introduction of the 25-cent textile minimum in October 1938 affect, in any way, the wages paid at your mills?

A. No, sir.

Q. Did the introduction of the minimum wage of 30 cents in 1933 affect in any way the minimum wages paid in your mills?

A. It affected it in that we had to increase our wages to 30 cents.

Q. Did you lay off or discharge any employees in the second half of 1933?

A. I can't say now when we did, but we did shortly after that, but I don't remember the date of it.

Q. Can you remember the year?

A. Well, no; I don't. I don't know when we made certain changes in the mill that materially reduced it, in addition to the Roberdell unit.

Q. Would you say that was in 1935?

A. I think that it would be early in 1934, but I am not positive now.

Q. There were no lay-offs in the second half of 1933?

A. I can't say with any degree of positiveness at all.

Mr. SHISHKIN. That is all.

Administrator ANDREWS. You are excused.

TESTIMONY OF JOHN R. YOUNGBLOOD
(T. 1604)

The witness, a resident of Tarboro, North Carolina, stated that he was vice president and general manager of the Hart Cotton Mills. He testified on cross-examination as follows:

Cross-examination by Mr. SCHLEZINGER:

Q. Could you state the average weekly earnings of your employees?

A. Yes, sir.

Q. I believe you stated that the average weekly earnings of your employees were $14.61?

A. Yes, sir; that includes, of course, the overseers.

Q. That $14.61 comes out to about 36½ cents an hour, doesn't it?

A. No; it wouldn't run that much. In other words, we have a schedule—the spinning room, for instance, is practically all 28.1, and we have in that, I included all employees of the mill in that, yarn, all departments of the mill, including overseers and everything; that took in everything pertaining to the cost of labor in the mill except the office force.

Q. How many employees have you now in that spinning room?

A. Well, there is 29 to each shift.

Q. How many? A total, then, of 58?

A. Yes, sir.

Q. In other words, about 20 percent of your total employees?

A. Well, yes; just about. In fact, it will run nearly one-half; you see, we are running thirty and forty yarns, and that will run practically nearly one-half.

Q. You stated that you had about 350 employees?

A. We have 410 employees on the pay roll that we carry; however, 410 are not employed all the time.

Q. You employ all the time about 350?

A. I would say so.

Q. Of which number 58 are included in that spinning room, is that correct?

A. Yes; there is more in the spinning room, if you take in the doffers and the section men and the overseers, but I am only giving the spinners who run the sides.

Q. If we take them all in, what is the hourly average earnings?

A. It will run pretty close to 28.1.

Q. And that is about 20 or 25 percent of all of your employees, isn't it?

A. Yes, sir.

Q. Could you tell us what the average hourly earnings of your remaining 75 or 80 percent of your employees are?

A. Practically all of the employees in the mill, their hourly wage will run about 28.1, with the exception of the more skilled men, such as card grinders and section men and overseers. The section men are making 32.8, and the card grinders 32.2 and the humidifiers, the humidifying men make 31.9, and our average wage is a little better than 28.1.

Q. That is for all 350 employees?

A. Yes, sir.

Q. How did you arrive at the figure of $14.61 per week? How many hours a week do you operate?

A. Forty hours, two shifts.

Q. $14.50 divided by 350 comes pretty close to 36½ cents, the way that I have it run out here?

A. Well, there must be some mistake there somewhere, because they are not getting that much.

Q. You also stated in your direct examination that the establishment of a minimum wage of 32½ cents would cost you $55,000 a year. Could you tell us how you arrived at that figure?

A. I arrived at that—if we maintain the differential of pay throughout the mill, it will increase our cost in dollars and cents, $1,059.60 per week more than we are having to pay now.

Q. In the event a minimum wage of 32½ cents per hour is established, do you expect to maintain the present differentials?

A. I don't get that question.

Q. I say, in the event that a minimum wage of 32½ cents an hour is established, do you expect to maintain the present differentials for all of the employees in your mill?

A. Well, right offhand, well, that will depend—I tell you the truth, I don't know that we can.

Q. You mean that if you can't afford to maintain it, that you would only reestablish those differentials gradually as you could do so?

A. I have taken the differentials all the way through, to show the additional cost; this has been taken throughout the pay roll but the fact is that you couldn't bring a floor-sweeper or a truck-driver or some other common laborer up to 32½ cents and leave a battery filler or some employee of more skill at the same rate that they are making now.

Q. How much would it cost to bring all of your employees now earning less than 32½ cents an hour to 32½ cents an hour—have you got those figures?

A. It will cost $1,059.60 per week.

Q. Now, just in the event that you bring all of your employees that are not earning 32½ cents now up to that figure, the direct increase for them—have you that figure available?

A. I haven't that data.

Q. Could you tell us how your operations during the N. R. A.—did you operate a full force in the latter part of 1933?

A. Yes, we operated according to the N. R. A.

Q. Could you tell us what your minimum wage was just prior to the establishment of the code?

A. No I couldn't.

Q. Was it higher or lower than it is now?

A. It was lower, prior to the N. R. A.

Q. It was lower than it is now?

A. Yes, sir.

Q. Was it considerably lower?

A. No; I wouldn't say that it was considerably lower, but when we came off—we operated under the N. R. A., and the N. R. A. went out of existence, and we practically maintained the wage level until the first part of 1937, and then we had an increase in our wages and production.

Q. What was the percentage of the increase in your wage bill as a result of the N. R. A., do you recall?

A. Offhand, I can't give you those exact figures.

Q. It was very large, wasn't it?

A. Yes, sir.

Q. It was considerably larger than the present increase will be if you went to the present 32½-cent minimum now proposed?

A. No; I don't think so.

Q. You continued, though, during the N. R. A.—you operated with full force in the latter part of the N. R. A., didn't you?

A. And according to N. R. A. regulations.

Mr. SCHLEZINGER. That is all.

Mr. TAYLOR. That is all, thank you, Mr. Youngblood.

I think that is one of the prime considerations, along with location, power and the freight rates, and the skill of the employees in the locality where they operate. . . .

TESTIMONY OF H. C. BUROW—(1610)

Said witness, after stating that he resided in Bonham, Texas, and was representing the Southwestern Cotton Mills of Arkansas, Texas and Oklahoma, testified as follows: (1611)

. . . This is a survey made by Bert C. Blanton, M. E., and industrial engineer of Dallas, Texas, for the Southwestern Mills.

First is the economic set-up of the Southwestern Mills industry embracing an aggregate of 24 mills. Details of this survey may be concisely designed and portrayed as follows:

The total capital investment in the Southwestern Cotton Mills as of date January 1, 1938, approximated $11,789,500.

The total payrolls, Southwestern Cotton Mills, for the year 1937, $6,191,300.

Total sales, Southwestern Cotton Mills, for the year 1937, $20,977,800;

Total number of spindles in the Southwestern Cotton Mills, as of December 1, 1938, 269,020 spindles;

Total number of looms in the Southwestern Cotton Mills as of date December 1, 1938, 6,221 looms.

The range in the size of Southwestern Cotton Mills, predicated on the number of spindles and looms is as follows: (1612)

(a) The largest mill has 25,200 spindles; 667 looms;

(b) The smallest mill has 5,000 spindles and 139 looms.

The average number of spindles and looms in Southwestern Cotton Mills is as follows:

(a) 11,209 spindles per mill;

(b) 259 looms per mill.

Cotton consumption and sales:

The cotton consumption and sales of the Southwestern Mills, embracing an aggregate of 24 mills, predicated on this survey, may be portrayed as follows:

The aggregate consumption of the Southwestern Mills for the year of 1937 was 77,891,655 pounds;

The average consumption per mill for the year 1937 was 3,245,485 pounds;

The total cotton consumption per spindle for the year 1937 was 289 pounds.

The aggregate cotton goods sales for the Southwestern Mills, for the year 1[illegible] was 65,476,898 pounds.

The average cotton goods sales for the year 1937, per mill, 2,728,204 pounds.

The total cotton goods sales per spindle, for the year 1937, was 243 pounds per spindle.

The ratio of cotton consumption to cotton goods sales of the Southwestern Cotton Mills for the year 1937 was (1613) approximately 1.1 pounds consumed to 1 pound of goods sold.

The production of the Southwestern Cotton Mills, embracing the 24 mills in this survey, comprised cotton woven goods, cotton yarns and cotton threads.

Economic factors relating to employees:

Economic factors relating to employees in the Southwestern Cotton Mills may be portrayed as follows:

Nineteen of the twenty-four cotton mills as embraced in this survey, report that the company owned mill villages with a total of 837 houses.

The average number of houses comprising the mill average of the Southwestern Cotton Mills is 44 dwellings.

As per the statement contained in the report of the Southwestern Cotton Mills, the average maximum number of houses comprising the mill village was 80 dwellings, and the average minimum, 32 dwellings.

Approximately 24.8 per cent of all mill employees of the Southwestern Cotton Mills reside in company owned mill villages.

Mill villages of the Southwestern Cotton Mills are modern in design, well constructed, have a complete requisite of f..cilities.

Employees of the Southwestern Cotton Mills who reside in company-owned mill villages are provided with (1614) these specific modern conveniences without additional cost, namely, water, electricity and sewerage.

Approximately 69.3 per cent of all mill employees of the Southwestern Cotton Mills reside in dwellings in mill communities which are not company-owned.

Approximately 5.9 per cent of all mill employees of the Southwestern Cotton Mills reside in dwellings outside of mill districts.

The medium of transportation available to employees of Southwestern Cotton Mills who do not reside in the company-owned mill villages or in mill communities adjacent thereto include privately owned motor vehicles, motor busses, electric street railways.

The current cost in all cities or towns in which Southwestern cotton Mills are situated do not exceed a fare of 7 cents.

Approximately 27.3 per cent of all families whose source of gain is in Southwestern Cotton Mills own their own homes.

Approximately 63.9 per cent of all families whose source of gainful employment is in the Southwestern Cotton Mills own automobiles.

And, in the Southwestern Cotton Mills, there are an average of 164 families per mill whose substance is dependent upon the industry. (1615)

The medium size of the mill family is 3.8.

I believe that is all I have on that, Mr. Taylor. . . . (1626)

With our one mill, which has a mill at Brenham, Texas which has 7500 spindles, 200 looms, we have been operating at a loss for the last 18 months, and with the (1627) 32½ cent wage schedule going into effect, it would be impossible for us to further operate that plant.

We have been losing money at this particular plant at the rate of about $3,000 a month, and unless there is a material change in the market price of goods this plant, which employs approximately 150 people will be definitely closed.

TESTIMONY OF H. A. BUROW (T. 1630)

The witness, a resident of Bonham, Texas, stated that he was manager of the Bonham Cotton Mills and on the executive committee of the Brenham Cotton Mills. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. You said for the last 18 months your mill had been operating at a loss?

A. Yes, sir.

Q. How long have you been running that mill?

A. Eighteen months.

Q. What was the status of the mill prior to the time you started to run it?

A. I don't know. I bought it.

Q. Was it running when you bought it?

A. No, sir.

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Q. How long had it been closed down?

A. My understanding was about five years.

Q. And on what date did you start operation of the factory?

A. I didn't get it.

Q. On what date did you start operating the mill, did it go into production?

A. Along in January.

Q. January 1937?

A. January 1937.

Q. Just about in time to miss the boat. Now, where do you sell your products, Mr. Burrow?

A. To the East.

Q. To the East?

A. Yes, sir.

Q. What do you make?

A. (Continuing.) Chicago, Akron——

Q. No; I am asking what products do you manufacture?

A. Sheetings and drills.

Q. Mr. Burrow, are you familiar with the minority report filed by Mr. Foshee?

A. Partly.

Q. Are you in agreement with his position that the Southwest should have a differential under the Southeast?

A. Yes, sir.

Q. In your opinion is that question of a differential for the Southwest under the Southeast of greater importance

than the actual amount of the minimum wage that may be established by order of the Administrator?

A. I didn't follow you there, please, sir.

Q. Put it this way, suppose a 32½-cent-minimum wage were fived for the Southwest and a 34½-cent-minimum fixed for the Southeast, would yu ortestimony be the same as the testimony which you have presented today as to the effect of the minimum upon mills in the Southwest?

A. Certainly.

Q. It would?

A. We have got that condition existing.

Q. Notwithstanding the fact you would be operating under a favorable differential as compared with the Southeast?

A. It would not be favorable.

Q. It would not be favorable. How large a differential do you think you need?

A. I have not accurately determined that.

Mr. ABT. That is all.

Mr. TAYLOR. I have no further questions. That is all, Mr. Burow. Thank you.

(Witness excused.)

JOHN F. SCHENCK, SR.

Direct Examination.

By Mr. Taylor:

Q. Will you state your name and address for the record?

A. John F. Schenck, Sr., Lawndale, North Carolina.

Q. What is your occupation, Mr. Schenck?

A. I am a manufacturer, cotton manufacturer.

Q. What is your present position?

A. President of the mill at that place.

Q. Do you have a statement that you wish to make to the Administrator with respect to your attitude towards the 32½ cent minimum?

A. Yes, I have drafted a little statement that I would not object to reading.

Q. Will you proceed, sir?

A. I wish to add my protest against the approval of the 32½ cent per hour minimum wage which has been recommended; and which is now under consideration.

Irrespective of how the corporations, which I represent, may be affected by the proposed increase of the minimum wage, I regard the minimum wage law which was recently enacted by congress as unwise. I feel sure that it will prove to be a detriment and a curse.

Therefore, every increase of the minimum wage will simply intensify the unjust discriminations, the wrangling, and the dissatisfactions which are sure to follow.

Applicable to all skilled labor, and operators of machinery, inside the mill, the corporations which I represent have voluntarily been adhering to the 30 cent per hour minimum wage, which I understand was, during the existence of the NRA, agreed upon by the manufacturers, themselves, as applicable to Southern factories.

We have not been paying that much to cleaners and sweepers inside our mills, and not as much to outside unskilled labor.

A decree, compelling us to observe the proposed 32½ cent per hour minimum wage, making it apply to all cleaners, and sweepers, and to all outside help, will increase our labor cost.

This will, of course, increase our manufacturing expense; and our prices must be increased accordingly.

We believe that said necessary price increase will, to some extent, cause a curtailment of consumption, and may lead to short time operations and less employment.

I am especially apprehensive concerning the remnant of foreign trade, which has been left to some of us.

Continuous boosts of wages in this country has almost totally destroyed our foreign trade.

For a number of years the factories which I represent have enjoyed a rather large business in Cuba on certain specialties.

Recently foreign competitors have taken over some of our Cuban business; and we certainly will lose what we have left if our labor expense is considerably increased.

Legislative wage boosts and enforcement of shorter hours in factories, and shorter production on farms, (all resulting in higher costs and higher prices), has lost to our manufacturers almost all foreign demand for American made products; and is constantly and rapidly losing the demand for American cotton, which, for so many years, was so enormous that our American farmers for awhile seemed to enjoy almost a monopoly of the cotton market.

Under artificial price-fixing that monopoly is vanishing rapidly.

Reciting these facts concerning lost foreign trade is not irrelevant.

It serves as a proof that, however much humanitarianism may be boasted of in legislative wage boosts, such procedure is sometimes very foolish and hurtful.

Kindly permit reference to another instance where legislative wage boosts will destroy one of the governments own very important programs.

Our attendance on, and our enthusiastic co-operation in big Pan-American Conferences have clearly brought out the fact that we wish to trade freely with the people in South American Republics, and thus eliminate as much as possible foreign trade and foreign influence in those Republics.

The question naturally arises: How can we, with our artifically high prices, hope to capture and hold South American markets against foreign competition?

Another matter for serious consideration is the fact that enforcement of a minimum wage, which is in advance of wages already being voluntarily paid, will always be detrimental and unfair to sections which are handicapped by isolation.

It is a very serious fact that in enforcing a comparatively high minimum wage will inevitably result as follows:

The building and operating of industries will be almost entirely confined to certain favorably located areas. Most isolated communities will be doomed so far as industrial development is concerned.

Isolated sections are entitled to consideration:

In a country like ours where its people are permitted to exercise broad freedom in business activities, prosperity is possible for almost every location, and class.

As has been proven in our own national history, prosperity will cover that part of the earth which is inhabited by a free people, and, if it is not obstructed by artificial barriers, it will, like water, naturally spread and flow into the depressed locations, thus distributing itself broadly and equally.

The cotton factory industry, which I now operate, was started in the year 1873.

In an isolated community, like hundreds of other factories in the South, it owes its very early origin to the natural law of freedom just mentioned.

A very prosperous Yankee visited the War desolated South. He became acquainted with our people and our conditions; and discovered here an opportunity to double and redouble his prosperity. Supplying most of the needed cash, he joined in with some trustworthy men of my community; and they developed an industry which gave to an impoverished and distressed people much more profitable employment than they had enjoyed since the Civil War.

Influenced by similar inducements, progressive business men, frequently with northern financial assistance, have organized and constructed, in isolated locations throughout the South, hundreds of industries which have been a "God Send" to the inhabitants of those communities.

Most of these industries would never have been organized if a minimum wage law had been in force.

Many of those early built plants are yet in operation, but their equipment is becoming rather obsolete.

Many of them cannot produce and deliver goods as economically as newer plants, which are more favorably located. Therefore, their only method of meeting the competition of better equipped, and better located plants, and at the same time avoid bankruptcy, is to use cheaper labor.

As a rule where such factories are located, employees can live more cheaply, and they are perfectly willing to help save their source of employment by serving at a lower wage.

Compelling such factories to pay as high wages as new and up-to-date factories which are more favorably located would be, not only unwise, but insanely brutal.

The enforcement of such a decree would stifle the plant and render idle and dependent its employees.

Another matter is worthy of consideration.

The minimum wage, as it stands, and especially the probability that other and larger advances will soon be made, in response to the clamor of some big and politically strong organizations, is convincing industrialists of the importance of devising methods and acquiring machinery that will enable them to operate successfully with fewer employees.

To meet the present situation and the situation which is threatened, much labor saving machinery is being installed and many employees are already being discharged, principally on account of the constant boosting of wages, by legislation.

Another thing is naturally happening and is going to happen increasingly, as the minimum wage enlarges.

Men and women who are not gifted and skilled, however careful and conscientious and loyal they may be, will not be wanted.

If an advanced minimum wage must be paid, it will, in most cases, be also the maximum wage; and only skillful and rapid workers will be acceptable; and usually wages will be paid on a piece-work basis.

In this manner there will be eliminated a multitude of needy and worthwhile people who are not experts and skillful, yet would be pleased to work for a lower wage.

Learners will also be excluded as much as possible and retained in the army of the idle and unemployed.

It is true that the law provides a method by which learners and incapacitated persons may be employed, at a lower wage, than the prescribed minimum; but the formalties and the red tape which are required before a permit may be granted are so cumbersome and the nature of the permit which may be obtained is so uncertain that a busy employer will usually become discouraged and disgusted,

and will, as far as possible, refuse to consider employment of learners and persons of small capacity.

I understand that some of my North Carolina fellow manufacturers heartily approve of the proposed minimum wage increase. I presume for the purpose of crushing competition in states further South, where the wage scale is lower than ours.

My corporation would also like to be free from such competition, but we cannot conscientiously recommend a minimum wage law for that purpose.

I believe my textile friends in North Carolina who advocate the proposed minimum wage increase will see, the not far off, day when they will regret encouraging the establishment of the foolish and iniquitious principle involved in a national minimum wage law.

However much they may dislike unregulated wage competition in states further South, they had better remember that there are competitors in the North who are clamoring for a much higher minimum wage, with which to choke my textile friends out of existence. Our North Carolina fellow manufacturers who are advocating the erection of a gallows upon which to hang their Alabama competitors may, like Haman, be hung upon their own gallows.

While the minimum wage law is not entirely responsible for the present stagnation of industrial development and growth, it is part and parcel of a government regime which is so radical, and so impracticable, that thoughtful and practical men have become alarmed and filled with distrust.

This nation of ours, big and rich as it is, is becoming industrially paralyzed.

Lack of industrial interest, activity and growth, is not due to lack of money.

All of the good banks in this country are full and overflowing with money—which is begging for borrowers.

Every sincere student of affairs must admit that the chief cause of the present industrial stagnation is a well

grounded fear and distrust, brought about by prevalent radicalism in government. And this minimum wage law constitutes a part of the radicalism.

No man of prudence is willing to borrow money from the banks either for investing in, or for operating new developments, when he has reason to fear that, under government sanction, he may soon be robbed of control of his own industrial plant. Or if he has reason to fear that minimum wage decreees or other bureaucratic orders may subsequently be issued which may render his investment unprofitable; or if he has reason to fear that the bulk of whatever profits he may realize is going to be confiscated by ever increasing taxes.

This nation has long survived and flourished without a minimum wage law. Why afflict it with one now?

It is an historical fact that widespread industrial growth in the United States has been phenomenal; and it happened without a minimum wage law. Such a law would have impeded, congested and restricted industrial growth.

Widespread industrial growth in the South (especially in textile lines) has been miraculous.

Thanks to providence the South was permitted to recover and develop industrially without being throttled and cursed by a minimum wage law.

For several years, immediately following the Civil War, the stricken and desolated South was bitterly hated by a large group of representatives in Congress, who advocated the passage of bills which were intended to injure and humiliate the conquered south.

The leader of that cruel and vindictive group was Old Thad Stevens, whose chief regret, to the end of his life, was that he had not wreaked the full measure of vengeance on the rebellious South which he thought it deserved.

If departed souls, after death, carry with them the hatred and grudges which they cherished in this world, I am sure Old Thad Stevens now envies the author of the

minimum wage law; and he has doubtless been kicking himself all over Hades, because he didn't invent the minimum wage, while his living carcass was in Congress

A national minimum wage will, enacted just after the Civil War, would have utterly destroyed all Southern opportunity and hope for industrial development, and I emphatically repeat that this present minimum wage law, if allowed to stand, will sound the industrial death knell of many isolated locations and people.

Q. If this minimum becomes effective in October, will it cause you to displace any employees?

A. Why, I think it will.

Q. I beg your pardon. I mis-stated the question. If this proposed 32½ cent minimum is approved, will it cause you to displace any employees?

A. Yes, I think it will.

Q. Have you made any estimate as to how many?

A. It won't be many, perhaps a couple of dozen in all.

Q. 25, would you say?

A. I expect so.

Q. How many employees do you say you have?

A. 500.

TESTIMONY OF I. F. CRAVEN—(T. 1652)

The witness stated that he was president and treasurer of the Columbia Manufacturing Company, Ramseur, North Carolina. He testified on cross-examination as follows:

Cross-examination by Mr. BORKEIN:

Q. What products do you make?

A. A variety of unbleached products; fabrics. At the present, as I stated, we are making bag fabrics, almost entirely.

Q. Have you previously made other cloth?

A. Yes; we have. We have made sheeting for the jobbing trade, and we have had to discontinue them on account of the terrific losses that were experienced. We have also made industrial fabrics that were sold to the asbestos manufacturers, but the demand for that has been decreasing.

Q. Have you made any book-cloth?

A. No; we have not. We have made tape-cloth, at times; not to my knowledge book-cloth, though.

Mr. BORKEIN. That is all.

Mr. TAYLOR. Are there any further questions? That is all, Mr. Craven.

(Witness excused.)

TESTIMONY OF H. M. JONES—(T. 1653)

The witness, a resident of Laurinburg, North Carolina, stated that he was president and treasurer of the Waverly Mills, Incorporated. He testified on direct and on cross-examination as follows:

Direct examination by Mr. TAYLOR:

Q. Will you state your name and address for the record, Mr. Jones?

A. H. M. Jones, Waverly Mills, Incorporated, Laurinburg, North Carolina.

Q. What is your position with those mills?

A. President and treasurer of the Waverly Mills, Incorporated.

Q. Do you have a statement to make to the Administrator with reference to the proposed minimum?

A. I do.

Q. Will you proceed and make that statement?

A. The Waverly Mills are located at Laurinburg, North Carolina, and operat 33,000 spindles, manufacturing 6s to 30s, single and ply, carded carpet, insulating and weaving yarns.

Spindles are contained in two plants—one of 13,000 spindles producing 6s to 16s and the other of 20,000 spindles producing 20s to 30s.

Inauguration of the 32½ cent minimum for cotton textiles will increase our cost per pound an average of .96 cents on the coarse descriptions and an average of 1.60 cents per pound on the finer counts. At the present time there is no margin in carded yarns with which a spinner can absorb these added costs. In order to stay in business it is essential

that Waverly Mills do everything possible to avoid the higher costs which the higher wage rate will bring.

In the coarse yarn mill we employ 24 spooler hands on each shift or a total of 48 spooler tenders. On the 32½-cent base this cost per pound would be .72 cents. By the use of six automatic spoolers we can reduce our spooling cost from the .72 cents to approximately .25 cents or a reduction of 47 points. This will reduce employment from 24 hands on each shift to 6 employees on each shift—a reduction of 18 per shift or a total of 36.

On the roving frames in the coarse yarn mill we employ 11 men on each shift and have a total of 22 and with a 32½-cent minimum this would be about .51 cents. By converting our roving frames to long draft, costs can be reduced to .24 cents per pound representing a saving of .27 cents. At the same time employment would be reduced from 11 to 5 per shift, or a total reduction in employment of 12 persons. The labor saving equipment outlined above wil lsave in the coarse yarn mill a total of .74 cents per pound or approximately 77% of the increase in cost brought about by the application of the 32½-cent minmum. Employment, however, will be reduced by 48 persons.

In the fine yarn mill we employ at present 12 spooler hands on each shift or a total of 24. On a 32½-cent base this would be 87 cents per pound. With the addition of two automatic spoolers we can reduce our spooling cost to approximately .28 cents or a saving of .59 cents per pound. Employment at the same time would be reduced from 24 persons to 9, a reduction of 15 employees.

In our card room in the fine yarn mill we employ 11 roving tenders each shift or a total of 22; with a 32½-

cent base this would increase to about .90 cents. By changing over equipment to long draft roving this cost will be cut from the .90-cent figure to .40 cents or a saving of half a cent per pound. Employment will be reduced from 11 persons per shift to 5 per shift, or a total reduction of 12 employees. Equipment indicated would result in a saving of 1.09 cents per pound, or about 68 per cent of the increase in cost. At the same time employment in this plant would be reduced by 27 persons. The added labor cost resulting from the higher minimum wage would render essential the installation of the equipment indicated above and would result in a total reduction in employment in our plants of 75 persons from a payroll of approximately 600. This would be a 12½% reduction in employment brought about by the application of the 32½-cent minimum wage.

Mr. TAYLOR. That is all.

Cross-examination by Mr. SCHLEZINGER:

Q. Will you please tell us what the minimum wage paid in your plant is today?

A. 25 cents an hour.

Q. Will you tell us what the average wage is?

A. Slightly over 28 cents.

Q. Will you tell us how you arrive at the amount of the increase that you figure on the 32½-cent minimum?

A. Setting up a budget pay roll on wage rates that we believe would have to prevail with the 32½-cent minimum.

Q. What average would you have?

A. About 33.5.

Q. How many persons do you have at present, how many workers earning 32½ cents or more?

A. Probably less than 15 percent.

Q. Mr. Jones, you were listing the amount of savings that you could have in labor costs if you installed a

lot of new machinery. Is it your present intention to install that type of machinery?

A. That program listed there ordinarily would be taken over a period of two or three years. The inauguration of higher minimum wages would necessitate the speeding up of that program and getting it done as promptly as possible.

Q. But it is your present intention, in any event, you will?

A. Over a period of years.

Q. In two or three years?

A. Yes.

Q. You have been losing money, now, for how long a time did you say?

A. Since June 30, 1937.

Q. In the event this recommendation of the Committee were not approved and the 30-cent minimum automatically went into effect on October 24, what effect would that have on your plants, in installing new machinery?

A. The rate of installation would be slowed down, in other words we would not have as much extra cost to offset, and because of our financial condition, we would prefer to defer if possible some of the equipment changes involved here.

Q. Do you know the amount of increase in your labor costs that would arise as the result of the establishment of a 30-cent minimum?

A. About half of what I have indicated here.

Q. Well, in the event the 30-cent minimum would go into effect, over how long a period of time do you think it would take for you to install this new machinery that you have been discussing?

A. We would try to get about half of it in before fall, the remaining portion, the other half, over a period of

a year or eighteen months, depending on further recommendations in connection with the minimum wage.

Q. In view of the fact that the 30-cent minimum is going into effect, in any event, in October, you contemplate within the next year or eighteen months installing this new machinery?

A. A program of installation, that is correct.

Q. Mr. Jones, do you contemplate any difficulty in financing the installation of this new machinery?

A. Unfortunately, I am in the carding yarn business, and those in the industry familiar with that business know it is a very unsatisfactory one, and it is always difficult to do financing. It will be reasonably difficult.

Q. But you believe you will be able to do it?

A. I rather think so.

By Mr. ABT:

Q. In computing what your added labor costs would be if the 32½-cent minimum is adopted, did you give effect to increases that you thought necessary above the minimum?

A. Increases above the minimum will be necessary, and they were given effect.

Q. What effect did you give that?

A. In figuring the budget figures in those brackets above 32½ are not so great as the increase below. In other words, margins were reduced. The same differentials were not maintained.

Q. And what percentage did you apply to the reduction of those differentials, how did you go about reducing them?

A. There was no formula used on that. For instance, in the event some of our folks were getting 40 cents an hour, the increase there would be about two cents, enough to make them realize they had had an increase, without giving the full benefit of an increase from the 28

to 32½ basis. I mean it was more a matter of expediency rather than formula.

Q. Just as your rate of technological change may be dictated by expediency, so also will it not be possible to change or slow down the tempo of the change in the adjustment of differentials, as a matter of expediency?

A. State your question again, if you will. I didn't follow that.

Q. As I got your testimony, the rate of technological change in your plant is governed by the question of expediency. That is to say, you make the change more rapidly if the 32½-cent minimum applies than if it did not?

A. That is correct.

Q. In the same sense, haven't you at least some measure of control over wage differentials above the minimum?

Mr. TAYLOR. Do you understand his question, Mr. Jones?

Q. Isn't it possible to adjust yourselves gradually, just as it is possible either to slow down or speed up the rate of technological change?

A. You mean those above the minimum?

Q. Yes?

A. We have always found it necessary in making a general wage increase to make an increase that applies to everybody in the plant. In this case it would be applied in varying proportions, depending on whether they were above or below. The figures I gave you were the minimum we thought possible on the wages above the 32½-cent level.

By Mr. BORKEIN:

Q. You have noted during the last two weeks some rise in the price of carded yarns, have you not?

A. A slight rise in price.

Q. And that has been—there have been several price increases in carded yarns during the last month?

A. There have been some price increases less than the actual increase in the raw-cotton costs.

Q. There is some probability of further increases being impelled?

A. I hope so.

Q. One further matter: You have, of course, observed the N. R. A. 30-cent minimum wage. Did you grant any wage increases subsequent to 1933?

A. No, sir.

Q. You granted none?

A. No, sir.

Q. Did you make any wage reductions?

A. We did.

Q. When were those made?

A. In 1934 we closed one plant completely, consisting of 20,000 spindles, and liquidated it while the 30-cent minimum was in effect, and, in the Fall of 1934, we reduced wages about down to 30.

Q. Did you say in the Fall of 1934?

A. No; that was in the Fall of 1935; I beg your pardon.

Q. In the last year, have you run quite steadily, Mr. Jones?

A. For the last year, we have probably averaged about 80 percent operation.

Q. Under what terms were sales made by your selling agent? Did he make them at your request, or did he continue to make sales at whatever prices he could secure?

A. Do you mean who had control of the sales?

Q. No; I mean when he was making these sales, did he consult with you? Did you have a policy with him of instructing him with respect to the price at which he

should sell the carded yarn, or did you just give him orders to sell at whatever he could?

A. Sales by our selling agent are always confirmed by our company before they are confirmed to the customer.

Q. Have you found that it was necessary for you, or did you, rather—I am sorry—did you approve sales on the declining price market in the last year?

A. We approved sales on the declining and on ascending markets, whenever they were made.

Q. Did you find competitors of yours were underselling you?

A. They have done a fairly consistent job of it.

Q. And why were they able to undersell you?

A. I would like to know that myself.

Q. Do you know any specific mills that did, that got orders that might have gone to you?

A. Yes, sir.

Q. Would you say that your wages were higher or lower than theirs?

A. I cannot; no, sir.

Q. Do you know whether the wage scale in the area where that mill is located is higher or lower than yours?

A. I would say that there are some of all kinds; some higher and some lower.

Q. The cause of their ability to undersell might have been either wage scale or their desire to just keep going?

A. I know not what their reasons were.

Q. But you kept those sales going in order to keep your mill going?

A. We kept what we could going, as I said, about an 80-percent average, and an 80-percent average is not full production.

Q. And you made those sales at whatever profit, or a loss, that you could get at that moment?

A. Yes.

Q. Do you think that your willingness to sell at those low prices affected the price market at that time?

A. That, again, is a question of which occurred first, the market or the price.

Q. You assented to the prices that the selling agent offered you, did you not?

A. So far as I know, we never went below what somebody else was offering the same yarns for.

Q. But you approved of sales that the selling agent offered you, did you not?

A. Well, we have approved of sales at a loss, if that is your point in asking me that question.

Q. And by your willingness to operate at a loss, kept the price low?

A. Not if it were possible to get an eighth of a cent more out of it.

Q. But you were willing to operate at a loss and keep the price low?

A. Eighty-percent operation is not full operation by any means, and we turned down business that would have permitted us to have operated full.

Q. You turned down some business, you say?

A. Yes, sir.

Q. And you were willing to take some business at a loss?

A. Yes, sir.

Q. And consequently, prices were kept at a low level, is that right?

A. Not because of my action; no.

Q. But you were willing to keep operating at a low price, weren't you?

A. We were willing to, to an extent of eighty percent. However, you must remember that some business that was taken was profitable.

Q. And some of the business that was taken was not profitable, and you kept operating at eighty percent, at the prices offered you, and which were accepted?

A. We didn't operate eighty percent at all times; you understand, at one period we might have run 100 percent in that particular period, although at times we might drop down to 40 percent, that is, at another period, and what I am stating is that we operated eighty percent altogether.

Q. If your cost was somewhat higher than the cost of all of your competitors—say that you were all on the same plane so that nobody could undercut on wages, don't you think that there would be a bottom or a level in the descending spiral of prices?

A. I, of course, am interested in as high a minimum wage as the industry will stand, but there are a great many other factors besides wages that do affect costs, and putting that floor under the wages will not stop the market going below cost of production.

Q. But it will tend to set a floor for a market, will it not?

A. Under the N. R. A., operating on a 30-cent base, we had the most unsatisfactory operation that we have ever had.

Q. But setting a minimum wage tends to set a price level, does it not?

A. I can refer to the N. R. A.

Q. What did happen to the N. R. A.?

A. I don't know. We shut down about three or four months in that period of time.

Q. What is that?

A. I said that we shut down for about three or four months in that period of time.

Q. Now, under the N. R. A., we find in the spinning mills—well, we will take the spinning and the cordage mills, according to the report of the Federal Trade Commission, the mills made 5.61 percent on their textiles,

that is in 1933, and in 1934 it was 1.06 percent, and in 1935 there was a loss of .35 percent—that is approximately one-third of one percent, and during the first six months of 1936, they made a return of 2.77 percent. And, the thread industry, which is somewhat analagous to your own, in, 1933, they made 12.33 percent; in 1934, they made 10.69 percent; in 1935, 7.17 percent, and for the first six months of 1933, 3.94 percent.

A. Unfortunately, the thread business is a great deal better business than the cotton yarn business—a different business.

Q. But the yarn industry that is represented by these figures for spinning also indicates, not as favorable return, but a quite favorable report, they made a profit in '33—three times, and they lost one year, a little over one-third of one per cent loss. And that is not so bad.

A. Well, there is a showing there that there is not so much profit either.

Mr. BORKEIN. That is all.

Redirect examination by Mr. TAYLOR:

Q. Mr. Borkein referred to the minimum paid by you under the Code. What was that?

A. We paid 30 cents minimum, most of the time under the Code, and in the final period, in effect, we reduced the outside employees to 22½ cents as permitted by the Code operation.

MR. TAYLOR. That is all.

Administrator ANDREWS. Any more questions?

(No response.)

Administrator ANDREWS. You are excused.

(Witness excused.)

TESTIMONY OF MR. DONALD COMER—(1744)

The witness, after stating that he lived at Birmingham, Ala., and was an officer of the Avondale Mills, testified as follows:

. . . In appearing here this morning I would like to have the record show that I favored this federal legislation when it was proposed—to put a bottom to wages and a top to hours, in the manufacture of products going into interstate commerce. However, I thought then and still think that the wage and hours involved in this social legislation should have been fixed in the law, subject only to change by Congress itself; that it should not have been delegated to any Federal regulatory board.

In arguing for the legislation before the Senate and House Committee, I argued for this provision and I would like to put into this record a copy of my testimony before that Congressional Committee. I argued for this plan with the President himself and then after the law was written, together with Senator Hill, I argued with you, (1746) Mr. Andrews, that you not take advantage of the regulatory rights

available to you but that you let the rate in the law become effective this October. It was a 20 per cent advance over the rate fixed in the law last October. I have urged members of Congress since this Bill was passed and am still urging them, to have the law amended, keeping in the hands of the Congress the fixing of this minimum wage and the maximum hour. If this law departs from its social concept we will lose it and all of its good. . . . (1748)

. . . This legislation had my support and the support of many other Southern people—it was proposed as social legislation (1749) for the purpose of stopping intolerable ages, wages and hours. It was not intended to keep industry where it is; it was not intended to prevent industry from moving from industrial sections into agricultural areas, moving for regional advantages. . . .

He also compared the States of Ohio and Mississippi. Mississippi 13 per cent of its population urban, Ohio 63.8 per cent urban. Mississippi with no industry; Mississippi with an area 13 per cent larger and farming practically the only occupation, produces agricultural (1750) products to the value of only $965,000,000.00. Ohio, a smaller state than Mississippi, industry almost ideally distributed, the best dilution of its rural population of any state in the Union, produces agricultural products of $3,096,000,000.00 nearly 3⅓ times as much as Mississippi. He asked, "Do you see what industry does for agriculture?" . . .

Old established industrial centers would keep all industry static, but some industry is mobile. That is progress. Such movements are resisted and quickly seized upon by the older order as an excuse for the demand for regimentation, claiming that the tail is about to wag the dog. Let's have all the facts and be mighty sure before we decide. If the tail is to

be trimmed—and it is a (1751) good southern tail—let a southern jury decide and let the South furnish the surgeon. We have had more than enough of outside surgery already. The time may come when a little wagging of the dog by the southern and western tail will be welcome, and may be in the course of a blue moon, and for the progress of the nation, this joint tail might become the old "bow-wow" himself.

"The Bureau of Agricultural Economics last year published a list of farm wages in Southern states. For Georgia the daily wage was 85 cents—for Alabama 90 cents and these rates were without board. If we can change one of these 90 cents per day farm hands into an industrial worker at a minimum wage of 30 cents per hour, three things happen. . . . (1755)

. . . The present schedules of 25 cents and 44 hours changed (1756) some of our smaller mills from a lower wage and a longer hour schedule. I wouldn't say that these mills were just chiseling exploiters. I suspect that quite a few of them were still trying to meet the unfair competition of jute string and jute bagging, some of them trying to resist the rising tide of paper. An arbitrary law-made wage might do some quick crippling here, both to owner and employee.

Walter Prescott Webb recently wrote a book, "Divided We Stand." On page 18 he quotes from a letter written by Abbott Lawrence of Massachusetts to Daniel Webster. The letter relates to the Tariff Bill of 1828 and was as follows:

> "This bill if adopted as amended will keep the South and West in debt to New England the next hundred years."

That policy has been the adopted policy of the nation and the only error Mr. Lawrence made was in underestimat-

ing the duration of the debt. The hundred years has passed and the debt still continues. . . . (1758)

. . . Recently this same Governor wired the other New England Governors urging their support of the proposed minimum wage at a national level for the textile industry, giving as an argument the keeping of industry in New England. He called attention to the fact that the South is fighting this plan tooth and nail and urged that New England must organize with business, state government, and labor to maintain their industries. . . . (1759)

. . . We buy these things from Connecticut and we are going to continue to buy them and as our purchasing power down here increases, we will buy more and more of them. We marvel that with all of this industrial (1760) life Connecticut should oppose the development of the spinning and weaving of cotton to the cotton belt. It is a natural place for it to be—our regional advantages make it the natural place for starting. . . . (1761)

. . . Please remember though that you built your industry behind tariff-locked doors, which while helping you, hurt us. These doors are still locked in your interests, and this lock and the key to the lock was of your making and is in your keeping. . . .

We are poor in money, we are rich in our sons and daughters. Between 1920 and 1930, Georgia alone lost (1762) between three and four thousand of her young people to other states. We naturally wish to keep this wealth at home. As they multiply wealth here with us, it will be that much more money to be spent for those luxury and semi-luxury things that you so wonderfully make. Compared with yours, our industry is so little. Alabama's Governor recently speak-

ing in the interest of a fair railroad rate for the South, was stressing our great needs as compared to our moderate askings. He said we ask no favors in freight rates, only equality of rates. He said "We are not crying for the moon. The Official-Eastern section already has that." . . . (1763)

In advocating the present program, it has been suggested by the East that the South has been unfair in its invitation to industry, mentioning particularly that the South has offered certain exemptions from taxes. The exempting of industry from taxes while it gets established may be wrong in principle but if it is, certainly the critics of such a program should not come from industrial New England because every industry there was built behind a tariff wall which in effect amounted to a subsidy to them, paid out of the pockets of every consumer in the country, including the South.

The President recently received a report from the National Emergency Counsel. I would like to quote the last two paragraphs on page 60 of this report:

> "The South, in fact, has been caught in a vise that has kept it from moving along with the main stream of American economic life. On the one hand, the freight rates have hampered its industry; on the other hand, our high tariff has subsidized industry in other sections of the country at the expense of (1764) the South. Penalized for being rural, and handicapped in its effort to industrialize, the economic life of the South has been squeezed to a point where the purchasing power of the southern people does not provide an adequate market for its own industrial nor an attractive market for those of the rest of the country. . . ."

Governor Alf Landon, the last Republican candidate for President of the United States, recently in Arkansas made this statement:

> "It is evident that the Republicans after fighting a war to keep the South in the Union, unhappily for the nation have ever since pursued a tragic policy, the effect of which has been to keep the South out of the Union." . . . (1765)

Hon. Harry Hopkins, now Secretary of Commerce, in Memphis last year said:

> "Crushed by the Civil War and the incredibly vicious period of Reconstruction, what you have done and are doing in the face of economic and political handicaps which have prevailed since the War between the States constitutes a saga of human accomplishment of which you can forever be proud. . . . Later the freight rate structure was planned to clinch the industrial supremacy of the North and East.
>
> "It still stands and today's rate differentials penalize both southern railroads and southern shippers. Northern manufacturers have a rate advantage of about 30 per cent over southern manufacturers who want to ship the same products into the rich and populous North and East. . . ." (1769)

. . . We are tremendously concerned about Federal legislation affecting the South. We are a minority down here and any national program dealing with our problems will find our affairs constantly under review, regulation or direction of people beyond our borders. In this particular case, we are now considering the recommendation from a Com-

mittee of Twenty-one, the majority of whom live beyond our borders,—people who have to do with silk mills and rayon mills in the East—in Pennsylvania, Connecticut and New Jersey. We cannot help but feel that it would have been only fair to have looked for advice on matters affecting the cotton spinning industry—80 per cent of which is in the South—from a committee of southern (1770) people. A Committee of Southern mill owners, Southern workers and Southern cotton farmers.

The man most interested in the price of cotton goods, I think, is the cotton farmer. Not only because of the fact that he has to buy them out of a low income level but the fact that he wants the broadest distribution possible of the thing that he grows. . . . (1773)

. . . Cotton is the only major farm product in this country not protected in its home market by tariff. Our tariff was built not only to protect against things of like kind but against substitutes. California walnuts are protected by tariff against cashew nuts and Brazil nuts; soy bean oil is protected against cocoanut oil and whale oil, etc. The western farmer sacks his potatoes and grain in a jute burlap bag because it is cheaper than a cotton bag and yet cotton farmers pay 1 cent per pound on their sugar in the interest of the Western sugar beet farmer. Northern dairy farmers sack their feed in burlap because it is cheaper than cotton, but southern farmers pay a duty of 7 cents per pound on cheese and 14 cents per pound on butter, in order to protect the prices on dairy products, etc.

Not only does this raw jute come in duty free but the burlap made out of it has such a nominal duty that those businesses one time engaged in the manufacture of burlap in this country, packed up their machinery and moved it to

India, and today instead of importing jute and manufacturing it here into burlap and bags, the burlap is manufactured in India, over a billion yards of it yearly, and more and more of it is being manufactured (1774) into bags there, and so not only is cotton being replaced by some billion pounds of jute coming into this country yearly, but American labor has lost the business of manufacturing it into cloth and is fast losing the business of manufacturing it into bags. . . . (1779)

With our home markets for cotton goods disputed by substitutes like Indian jute, we also find our home market for textile manufactures more and more being used or abused by foreign textiles. Our present tariff structure cannot possibly bridge the difference between the labor cost of India and our labor cost. Today with our industry depressed, with our employees on part time or out of employment, we are having to move over to provide a place for those competing fibers grown and manufactured at a money wage level out of all proportion to our own. . . . (1784)

. . .I would like to quote Senator Bankhead.

> "Two million bales of cotton are displaced by jute, and the use of jute is increasing year after year, by leaps and bounds, and, as has been pointed out, it comes largely from the chief competitor with America in the matter of cotton, India, one of the largest cotton-producing countries in the world, whose cotton is largely displacing American cotton. Unhappily that is our situation. . . ." (1792)

The administrative procedure of this law seems to be pointing toward a future policy that will result in an arbitrary tax being forced on the products of Southern industry

in the guise of a government-made wage forced on the South by a commission of non-southern people claiming that they will do us good. I think the result will be increased unemployment in the South. By no possibility will there be an increase in our total textile wage. As a result of this wage tax, there will be increased employment in the textile industry in the North and every urge for this program from the North—governors, labor leaders and industrialists have argued for this result. This increase in employment in the North will only come as a result of unemployment in the South. This proposed 7½ cents per hour government imposed hidden tax on the cotton textile industry for the benefit of Northern Industry is at the expense of Southern industry and will further decrease the use of southern cotton. . . . .

Unjust treatment by the North has been mentioned as the prime cause, mentioned by men from the North, men like Lilienthal, Landon and Hopkins. It has been 75 years (1793) since our war. Isn't it time for these forced controls of our affairs by the North to stop? Haven't we been exploited long enough? Some of your own leaders admit a mess has been made of the job.

Aren't we ever going to sit as equals in the nation's councils, particularly where our own affairs are concerned? If you would help us solve our farm problems, this industrial wage problem will largely take care of itself. . . . (1813)

You see, the quality of the cotton, that is something, that unless you are running a cotton mill, you probably would not understand that phase of it, or understand just exactly what it means to have selected, desirable cotton, both as to staple and grade. For instance, I might be right over here in Birmingham, Alabama, and there might be a cotton patch right next door to me, and the fact that I might be bringing my

cotton in from Texas or Arkansas to supply my mill. In fact, I do bring in all of my cotton to Birmingham from Arkansas.

. . .

There will be people here, I presume, to discuss that particular matter with you, but I think I can find possibly today many mills in the South paying more freight on their cotton than the mills in the East pay. . . .

TESTIMONY OF DONALD COMER (T. 1802)

The witness, a resident of Birmingham, Alabama, stated that he was an officer of the Avondale Mills of Birmingham, Alabama. He testified on cross-examination as follows:

Cross-examination by Mr. PITTS:

Q. Mr. Comer, as I understood your remarks relating to foreign competition, the products of low-wage countries are competing unfairly with those in this country. Is that the purport of your remarks?

A. Only in the case of cotton did I specify. That was the thing I am interested in.

Q. Now, do not the products of low-wage areas in this country unfairly compete with products of higher wage areas, mills in higher wage areas?

A. I don't think I would consider those two questions the same, sir.

Q. In what respect do you differentiate?

A. Well, let's say just this one way. If we buy India jute for 4 cents, the man whose wages in India are involved is not in this country, he is not a citizen of this country, his children don't live in this country or grow up in this country or migrate to the other states as the case may be, and if you are referring to the South, claiming this is a lower wage area than what you have in your mind——

Q. I have not referred to any particular area.

A. I say if you have that in your mind, and I presume you have. Have you?

Q. I beg your pardon?

A. Have you the South area in your mind?

Q. I have low-wage areas of various parts of the country in mind. I asked you if you believed that was unfair competition with areas that pay a higher wage?

A. I would like to say that we all live together in this country. If the South in money value does not pay as much as some other areas pay, I think the fundamental cause goes back to the farm income in the South, and

I think that any concern for wages, about wages in the South that does not relate to farm income does not begin to talk about the question I am thinking about.

Q. Let's look at this foreign import a little more carefully. The only effect that permitting products of low-wage countries to come in can have upon this country is to throw persons out of employment in this country who are being paid a larger wage, is that not true?

A. Yes, sir; I think that is so.

Q. Now, doesn't the same thing apply if a low-wage mill competes, is able to sell its goods at a less price than the product of a higher-wage mill can be sold, regardless of where the area is?

A. If you are comparing the area with which I am familiar with the area from which you probably come, I would say that——

Q. My father was from Virginia, sir.

A. Hurrah for you. Where are you from?

Q. By accident of birth I was born in Kansas.

A. Landon came from Kansas, and he made a fine speech for us down in Arkansas last year.

Q. But that is the West rather than any other area?

A. There is so much more involved in what you are talking about than just the point that you raise. We have got, as I said here in this prepared talk, if you would give the low-wage area that you have in mind a fair railroad rate, and give us other tariff protections that we haven't now got, this question of yours wouldn't be asked, it wouldn't have to be asked.

Q. You would not advocate, if it were possible, the imposition of a tariff wall between low-wage areas and high-wage areas, would you, Mr. Comer?

A. I said right in my talk today as to the Connecticut products, that they make things which we buy. We probably would like to make some of those things in the

South, but I said we would not raise a barrier against them if we could, and we could not if we would.

Q. Do you believe 32½-cent minimum wage would create an advantage for any particular region in the country?

A. I certainly do.

Q. What region would receive that advantage?

A. I think the North.

Q. The North would?

A. I think so.

Q. Do you know the present differential in the average hourly earnings in the North and South?

A. I don't think that has anything to do with the matter, because there are other things involved except this money difference that you are speaking about.

Q. We are speaking of wages, of course?

A. Yes, but you cannot relate wages to cost and competition between sections, unless you deal with the other handicaps involved.

Q. We can take them up one at the time.

A. All right.

Q. The Majority Report has referred to the hourly average in the North as being 44.6 cents per hour, and the hourly average in the South as 36.6, a difference of eight cents. Have you any reason to doubt the computations and calculations which are the basis of those figures?

A. I have not seen the figures, and I have not studied the figures, but for your purposes, go ahead.

Q. You also know, Mr. Comer, that the calculations made to show the effect of a 32½ cent minimum have increased those averages for the North to 45.3 and for the South to 38.9?

A. I didn't think it would affect the North very much, I didn't think it would affect the North at all.

Q. The spread before the 32½ cent minimum, the present spread being eight cents, and the spread as calculated after the establishment of the 32½ cents being 6.4 cents, can you still state that you believe a 32½ cent minimum will create an advantage for the North?

A. I do.

Q. Even though there be a 6.4 differential?

A. I do.

Q. In the average hourly earning?

A. I do.

Q. That is an advantage, however, is it not, with respect to wages alone, there is a distinct advantage?

A. I am not sure about that.

Q. For the South, is there not?

A. I am not sure about that. I don't know what the wage, what the basis is, what he does in the North for that wage, compared with what we do in the South, I don't know what the tasks are.

Q. Now, are you questioning the comparative efficiency of the Southern Worker?

A. No; I am not.

Q. You have already stated, I believe, Mr. Comer, that there are high-wage and low-wage mills even in the area with which you are connected?

A. That is right.

Q. Is there a difference in the efficiency as between those two types of mills?

A. If I were a man working in the mill and my efficiency was under discussion by somebody here in Atlanta, in a rather cool spot, I don't think that I would like it very much. I don't like to discuss the efficiency of people in their jobs. I think there are people who can do just as good jobs in one place as they can in another place.

Q. Precisely.

A. The fact they do or don't do it is another question.

Q. But we are looking now at a differential in the average hourly earnings, calculated after the 32½-cent minimum is established. Now, a 6-cent differential is certainly an advantage, unless there are counteracting forces, such as comparative efficiency of labor.. That is the only reason I brought the matter up, Mr. Comer. Have you any other way of avoiding that comparison?

A. I would like to read a little quotation from a copy of my testimony before the Senate and House Joint Committee when this legislation was being considered. I believe, if you will wait a second, I will try to get that and make that my answer.

Here was my testimony before the Black-Connery Committee in Washington on June 8, 1937. I was arguing for a minimum fixed in the law, not to be the right minimum at all, just an amount, to stop exploitation.

Q. Were you arguing for any particular minimum?

A. I was not; I didn't mention a minimum, though I later on did suggest what I though it might be.

Q. By the way, what minimum did you think would be appropriate?

A. I think Senator Black was discussing that with me, and I believe, speaking for myself, I told him that I would be willing, as far as I was concerned, to start out with a 30-cent minimum.

Q. What were you paying about that time in your own mills?

A. I was paying that. In other words, that was 1937, and I was still paying the N. R. A. schedule of wages. I have tried to maintain that wage.

Q. While we are on that point, have you increased your wages since that time?

A. There have been increases and decreases. I think there have been decreases, and there have been increases.

Q. Very well.

A. Yes, sir; now, I was arguing here for a minimum fixed in the law. I said:

> It can be high enough to stop flagrant exploitation. It cannot be, per se, even an amount carrying your approval or mine as the correct minimum for any established task for any industry for any section. This is particularly true because of differences even in the same industry whether in different sections or not; differences in the quality of the raw material, in the condition of the machine, difference in freight rates per ton-mile, in the degree of percentage of efficiency and of precision of the people engaged, differences in the distance to the markets, in climatic differenees and its effect on quality and quantity, difference in literacy or illiteracy and pretraining that is brought to the job, and differences in the value of the unit of production, differences in the percentage of labor cost to the whole cost, also differences in the cost of the raw material to which labor is applied.

Q. May I interrupt right there, Mr. Comer? Isn't the matter of the source of raw material a possible advantage that the South enjoys?

Administrator ANDREWS. Don't you think it would be better for Mr. Comer to be permitted to finish his answer?

Q. Very well, if you would like to continue.

A. No; I have read all I wanted to read.

Q. We were speaking of comparative advantages and disadvantages, and that is the point that you were stressing, or addressing your remarks to, is it not?

A. That is right.

Q. You alluded to raw materials?

A. That is right.

Q. Is not that an advantage that the South, being the area of the cotton-growing states, enjoys?

A. It could be, but let me give you an illustration of how freight rates have affected that situation. In 1918, the Railroad Administrator was given the right by the President to increase the railroad rates or charges 25 percent, and that 25 percent was applied to all commodities, practically, excepting just a few. Cotton was picked out as one commodity not so treated. Instead of applying the 25 percent to the general cotton schedule, the railroads added 15 cents per 100 pounds into the cotton rate, and the result is that I was, for instance, being in the South and closer to a cotton center, where the rate might have been only 15 or 20 cents, my rate was increased 15 cents a hundred, whereas, it could be increased 100 percent, as you will readily see, and whereas, farther north, their rate was only increased 15 cents a hundred, and you will see from this illustration that the percentage was greater against the South.

Q. There was a differential of 15 or 20 cents that you paid, as against 95 or a dollar that was paid in the North? How did you explain that——

A. Now, wait just a minute now.

Q. I beg your pardon.

A. You see, the quality of the cotton, that is something that, unless you are running a cotton mill, you probably would not understand that phase of it, or understand just exactly what it means to have selected, desirable cotton, both as to staple and grade. For instance, I might be right over here in Birmingham, Alabama, and there might be a cotton patch right next door to me, and the fact is that I might be bringing my cotton in from Texas or Arkansas to supply my mill. In fact, I do bring in all of my cotton to Birmingham from Arkansas.

Q. Do you enjoy any differential freight rate over the New England Mills?

A. There will be people here, I presume, to discuss that particular matter with you, but I think I can find possibly today many mills in the South paying more freight on their cotton than the mills in the East pay.

Q. Do you, in your own operations, have to pay more than your competitors in the North?

A. I think possibly so, on a good deal of our cotton.

Q. Now, passing from the matter of raw materials, do you believe that the Southern States enjoy any advantage with regard to tax rates over the Northern States, where the textile industry is located?

A. No; I don't, excepting that there might be—there might be some of this offered tax—what do they call that?

Q. Do you mean tax exemption?

A. Yes, sir; that is, tax exemption for a few years—I think maybe for a limited time in certain states.

Q. Are you aware of the fact that for the year 1937, that the per capita tax receipts in Alabama were $17.50, and in North Carolina, it was $26.90, and Mississippi was $20.16 as compared with the per capita state tax receipts in Massachusetts of $31.59; in Maine, of $34.52, and Rhode Island of $32.24—those are taken from the Department of Commerce, Bureau of the Census records?

A. Well, I have this to say—all I know of that is that the chances are that the per capita wealth in the respective states that you have mentioned would show a larger difference than in the per capita tax in other places.

Q. Does that have any reference to the tax burden that a textile mill must bear in one place, as compared to another—the per capita wealth in that particular area?

A. Yes; certainly so.

Q. What effect does that have on the tax burden that the operating mills in those sectors have to pay?

A. The per capita tax does not mean that the cotton mill in Massachusetts may be paying more or less tax than the cotton mill of Alabama, for instance.

Q. And you don't believe that to be true, despite the fact that the figures that I have quoted to you show the tax to be at least 100 percent greater in respect to Maine than as to Alabama?

A. I don't want to discuss that matter with you right now, because I am not familiar with those figures at all, and I prefer not to discuss it with you.

Q. Do you realize that the per capita tax in Birmingham is $22.76 as compared with the per capita tax in New Bedford, Massachusetts, of $53.03, and as compared to the per capita tax in Lowell, Massachusetts, of $55.30, and as compared to the per capita tax in Providence of $65.26?

A. I know this, that the per capita wealth in Birmingham and in Alabama is very much less than the per capita wealth in the sections that you have mentioned. That is a problem that we have to face, and that is the fundamental problem, and what we are talking about here this morning deals directly with that point.

Q. I began that line of questioning by asking you if the 32½-cent minimum-wage basis would give an advantage to any particular area of the country, and I believe that your answer was that it gave an advantage to the North; is that correct?

A. I think it does.

Q. And we have taken up the raw materials, and we have taken up the question of taxes and wage differentials, and I would now like to read a point to you on the power question, and ask you if you believe that this is true. I am preparing to read you a statement from a book entitled "The Cotton Textile Industry of the Southern Appalachian Piedmont," and the book is by

Dr. Ben F. Lemert, of Duke University, and the part that I wish to quote to you is as follows:

> The average industrial power rate for 68 typical cities scattered over the United States is 1.544 cents per kilowatt-hour, while the average rate for the South is 1.359 cents per kilowatt-hour. While this difference of a few mills per kilowatt-hour does not seem noteworthy when referring to fractions of a cent, it becomes quite important to mills using hundreds of thousands of kilowatt-hours per month. An advantage of a few hundred dollars, or several thousand dollars per month in power rates is just one more factor in the lowering of cotton goods manufacturing costs in the Piedmont.

Do you recognize there is a differential in the power rate?

A. I would say that I am not familiar with whatever the differential is, if there is a differential, if you want to make the record appear that there is a differential, but I will say that the result is still that the South is miserably poor in every way in relation to the country and the states that you are mentioning there.

Q. Don't you believe that the increase in the level of wages in the South might contribute to the alleviation of that condition?

A. I think that the South's problem, or its condition, to tell you the truth, is dependent upon the farmer's income, and by increasing the wage of a few textile workers is not going to be so very good. I could tell you a story here that will illustrate what I am driving at, possibly better than anything else. Do you know about George R. Stuart? He was a preacher down here.

Q. Who was that?

A. George R. Stuart, Dr. Stuart, was a preacher down here, and he said that you couldn't clear the water

in the stream below the spring as long as the old sow was up in the spring. Now, that seems to me to be applicable here. You can't clear our problem up in the South until you clear the question of the farmer's income—until we can establish a fair income for the farmer.

Q. Is it your opinion that the raising of the level of the income of the textile workers wouldn't increase the farmer's income?

A. It is my opinion to increase the farmer's income first, and let the industrial wages increase as the farmers buy more, as the farmers have more money to spend. I just change it around.

Q. You mentioned in answer to one of Mr. Taylor's questions that you believe that the marginal mill in the South would be forced to close, or, at least, to curtail employment.

Might I ask you what you understand by the marginal mill?

A. I think it is the mill that is, for one reason or the other, I can't tell—that today finds itself without all of the capital it ought to have, and with probably rather than a staple cotton product competing—in Alabama, I can think of mills competing with paper and jute, right now, and I think that some little something could very easily put those mills down and out.

Q. Would you include, as a marginal mill, a mill paying higher wages and unable to compete for that reason? That is, a mill losing money to low-wage competitors?

A. I am doing that myself right now. I have been losing money for two years, and I am still losing money, and I am still paying the wages, but I don't think that I call myself a marginal mill, yet.

Q. Now, let me ask you this question: Is it your opinion—will the 32½ cents proposed minimum wage have any effect upon your own operations as far as curtailment of employment is concerned?

A. Oh, I think so.

Q. To what extent?

A. To tell you the truth, I haven't just tried to analyze it. I have just been so hoping that we just won't have to face that question, and I have been trying to spend most of my time in trying to sell my goods and run my mill, and I haven't spent much time trying to figure out what would happen if it came on. I have had enough trouble, already, without that.

Q. Do those remarks refer to the marginal mills as well?

A. I think that you are going to have next week the story of the marginal mills told to you by mill people themselves, that would probably admit that they were marginal mills, and I believe that we could keep the record clearer if I didn't try to discuss that with you, here now.

Q. As a result of your own knowledge, or as a result of your own investigations, you don't know what effect the 32½-cent wage minimum proposed would have on the so-called marginal mills?

A. Well, as I said before, I think we die slowly in the textile business; I think that the cotton-mill people do—we don't die overnight. If this order is put into effect, I don't think that the mill would die the very next morning. There might be some that might shut down the next morning, but I don't know whether they would or not—probably they ought to, but I don't know whether they will or not.

Q. You mentioned that you were losing money in your own mill in the past two years. Do you attribute that fact to any part that the low wage competition plays that you must face, as well as others?

A. No; I attribute that fact to the fact that we spun too much cotton in 1937; our market in 1938 and 1939 has had to absorb that overproduction. I think we

have lost and are losing our home market. You say that we are still spinning as much cotton as in the past years. That is possibly so, all right, but if you will stop to see or to take into consideration in the meantime that in 1911 there were 18,000,000 pounds of rayon produced in the world, and in the last year there were 2,000,000,000 pounds produced, that is quite a tremendous rise in production, and that is a terrible competing force that the cotton-textile industry has to meet. In 1931, there was about the equivalent of 700,000 bales of cotton displaced by Kraft paper, and last year there was about a million eight hundred thousand bales, as I recall it, that proportion, where Kraft paper was produced to replace cotton products. I am citing these examples to show you that we are losing our home market, our markets are getting smaller while these markets for our competing products are moving forward right along. For instance, jute imports increased from 500,000 pounds to a billion pounds in the last five years, and that took part of our market for our cotton goods, and there is no question about that.

Q. Assuming that there might be some curtailment in the so-called marginal mills, do you believe that that will result in unemployment in the industry as a whole?

A. Yes; I think so in the South, certainly.

Q. You don't believe that business that is now being taken by these so-called marginal mills will be taken by other Southern mills, do you, thereby equalizing that situation?

A. If that is done, it would be done simply because of the spending of the money in the course of two or three years in order to improve their manufacturing processes where they can——

Q. There is not sufficient capacity at the present time in the South?

A. No, sir. I think there would be some unemployment in the other mills that you speak of, as well as in the marginal mills.

Q. Can you tell us your own average hourly earnings in your own plant?

A. No, sir; I couldn't.

Q. Is it below the 36.6?

A. It is probably above the Southern Average, I think that it is possibly.

Q. What number of employees do you employ?

A. I have about 6,000 jobs, and probably about 7,500 people on the pay roll.

Mr. ABT. That is all.

Mr. NATHAN. I have one question, please sir.

By Mr. NATHAN:

Q. Did you state that you had lost a valued flour bag customer to a paper bag manufacturer?

A. No, sir; not I. But, as a matter of fact, I have lost one; I have lost business to paper bags, specifically, that I know of.

Q. Do you attribute that to the fact that you have had to increase your wages under the Wages and Hour Law?

A. I increased them to what it took, but I don't know just exactly what the final cause was. One day he bought cotton goods, and the next day he didn't, and what was the contributing final straw, I don't know.

Q. There are various other factors involved in the question of bags—as a mater of fact, isn't there? A flour manufacturer wouldn't have to sew the bags up if he used paper bags, would he?

A. This particular flour manufacturer that I am speaking of tried to get me to encourage the customers to ask for cotton bags in the interest of his business and in the interest of my business, instead of the customers asking for paper bags, or——

Q. And he would also save money by not having any leakage in the paper bags, isn't that correct?

A. I couldn't say that cotton should have the advantage over the paper, if both can serve the same purpose, or if paper serves the purpose better. Both are American products, but I do say that we are tremendously in competition with paper.

Mr. NATHAN. That's all.

Mr. TAYLOR. I don't have any further questions, Mr. Administrator.

Administrator ANDREWS. You do not have any further questions at this time?

Mr. TAYLOR. No, sir; and I will be glad to resume after lunch, if you feel that the time has arrived.

Administrator ANDREWS. Very well, we will recess now until 2:30 today.

(Whereupon, at 1:15 o'clock p. m., a recess was taken until 2:30 o'clock p. m. of the same day.)

TESTIMONY OF MR. JOHN BERRY—(1827)

The witness, after stating that he was President of the Berryton Mills, and that he lived at Rome, Georgia, testified as follows:

When the 32½ cent minimum was put in for textile No. 1 Committee, I called my directors together and told them that we had better take an inventory of the (1828) conditions and what this would do to us. And after having this directors' meeting and surveying the conditions, I called them back together, and told them that after looking at different mills, that we would have to spend money to modernize our mill, in order to stay in business. If we didn't modernize it, it was only a question of time until we would have to close it. So, then we looked at our finances to see what we could do, and we laid out a plan to operate on.

We first took up the question of core-winding—we took up first the question of core-winders. We find that we had 17 and they worked from 34 to 36 people. After investigation, we found that we could spend some twenty-odd thousand dollars, around twenty-five thousand to thirty thousand, and we could put in seven core-winders and do the same work with seven that we did with 17, and operate them with some 18 hands and throw out the difference.

That was our first move.

Our plans now from that point on is not pay any dividends as we make money for the next two years, and then from that point start to modernizing our other part of the machinery if we do not do it before. If we do not do it and do not keep abreast of the big-monied mills, it is only a question of how long we can last. . . . (1829)

I have between 250—230 and 250. . . .

I organized this mill in 1910. . . .

As quickly as we figure that we can afford to take certain amounts of money out of our working capital and afford to go into debt for a certain amount, we expect to spend from sixty to seventy thousand dollars to modernize the rest of the mill, and I know that it will cut out a substantial bunch of help, but how much, I have no figure. . . . (1830)

My mill is in a good financial condition, but I cannot afford to take too much money out of that and weaken the structure, weaken the structure of that mill in order to pay for machinery. Part of it will have to be paid for and the other will have to be bought on a credit, so it doesn't affect the financial condition of my mill. . . . . (1831)

By doing just what I told you I would do to get my mill in shape to compete. The small mills in the south, the little mills,—now, this is my opinion—the little mills, such as five and ten and fifteen thousand spindles, they have depleted their working capital practically, which has been done,—they haven't the (1832) money to buy machinery. And, in purchasing this machinery that I have purchased, the man I bought it from, to show you how they are checking you, he went to

the bank to inquire if I was able to pay for this machinery, and I found that out, and I asked him why he did that. I says "You could take my statement," and he says, "Well, there is so many mills that are asking for machinery now that have got no money, and we can't afford to fool with them without we check their financial condition to see if we want to give them any credit." . . .

I am not going out of business if there is any way to stay in it. . . .

TESTIMONY OF EARLE R. STALL—(T. 1839)

The witness, a resident of Greenville, South Carolina, stated that he was a textile engineer in the operation of cotton mills and presently associated with a cotton mill in an executive capacity. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mr. Stall, what was the average hourly wage in the mill to which you refer prior to October 24, 1938?

A. Prior to the 25-cent minimum wage?

Q. Yes; that is right.

A. I have got it at 25 cents. I haven't got it here, I thought I had it right there, what it was before.

Q. What was it after the 25-cent minimum?

A. I can give you that. I think I have got the other, that I can dig out here. At the present time, with the

25-cent minimum average, weekly earnings are $13.35, which means 33.4 cents per hour on the average. That is exclusive of supervision, exclusive of overseers, superintendent, and that kind of thing.

Q. Even though you haven't the exact figure prior to October, did the 25-cent minimum require a substantial increase in your average hourly earnings?

A. To this extent—I wouldn't say substantial for the reason that all we had to do at this particular mill was to raise the 22½-cent help up to 25 cents. That didn't make any material change.

Q. You didn't make any adjustments above the minimum?

A. Not in that case; no, sir.

Q. Have you computed what the probable effect of your average hourly earnings would show on a 30-cent minimum?

A. Yes, sir.

Q. What is that?

A. This is a computation, sir, that is based on stepping up pretty much all the way through, in other words, maintaining the differentials between jobs, that is what this is based on.

Q. Maintaining the differentials?

A. That is what this calculation is based on.

Q. You are taking the figure for 30 cents?

A. Yes, sir. On that basis, the $13.35 average or 33.4 cents which I gave you a minute ago would go to $14.59 or 36½ cents an hour. That means an increase to us in money approximately of $36,000 a year, or about $3,000 a month.

Q. Is that a substantial increase in terms of your business, your gross sales?

A. Yes, sir; a very substantial one; as a matter of fact practically 16 percent in the labor cost, and particularly when you are losing money, which we have

been doing absolutely for some months, that is a right serious increase.

Q. Is it an increase of such proportions that if it went into effect you would feel obliged, in the interest of your business, to lay off the less efficient workers and replace them by more efficient ones, and also increase the work load in your mill?

A. I wouldn't say we would expect to increase the work load. We would make some changes though to run that plant. We would not extend the work load, but what we would do would be simply, if we have five people in a room on a job, or something like that, or several jobs, and they have been working along to where they are not very efficient, or anything like that, we would have to, as bad as we hate to do it, and I am perfectly sincere and honest, if it is the last word I ever say, we would hate like everything to do that, but if there were a way to run that job with four younger people or something like that, we would simply have to do it. Our thought is to try to keep the plant going as long as we can, and take it from month to month, and when we find we cannot make it any longer we are going to state just why, and everybody concerned with the mill will understand why it is, and we will be through.

Q. Would the changes that you would make in your mill result in any net decrease in the number of persons employed?

A. Yes, sir.

Q. By how many?

A. I can see right now very easy we would have 20 less.

Q. 20 less?

A. Yes, sir.

Q. Now, Mr. Stall, have you given any consideration at all to the question as to what the effect of the 32½-

cent minimum wage would be in the North in terms of either an increase or a decrease?

A. You said had I given any thought to it?

Q. Yes.

A. I have not given it any study. I have thought about it naturally. As far as I can see it in the North, I don't see where they are going to gain anything by it particularly, in the North. It looks to me like we are going to be hurt in the South. I don't see where they are going to gain anything, but we are going to lose a lot.

Mr. ABT. That is all.

By Mr. NATHAN:

Q. Did you state your company is losing money at the present time?

A. Yes, sir.

Q. Is this corporation owned by stockholders?

A. Yes, sir.

Q. And you say you can, without going to any expense or introducing new machinery or its equivalent, get the same production as you are now getting and employ 20 men less?

A. I didn't say about going to some expense. I didn't cover that at all. I never said a word about new machinery or anything like that. I said by certain changes in personnel and operating methods and things of that sort we can run the same amount of machinery, make the same number of yards of cloth in the same running time with 20 less people.

Q. You don't contemplate putting in new equipment?

A. That we may do or may not. We don't have to spend much money to do what I am talking about.

Q. What I don't understand is why if this company is losing money these economies have not been put into effect prior to this time?

A. Simply this. You wouldn't have any reason to doubt the statement, it may be a statement, that in your own mind you might rather doubt, but it is true, and you will have to give me the benefit of the doubt.

This mill is located where there is comparatively little, as I said, comparatively little labor turn-over. In other words, we have three times as many people in the village as we can work. We never have run any third shift, we run two shifts of 40 hours each, and never have exceeded that.

Now, we have a situation of this sort—I don't want to get technical or anything like that, and I don't mean to, but to illustrate it, there is a way of running weaving. For example, where you have weavers that specialize and do weaving only, and you have other help in there, as you probably know, battery fillers, cloth haulers that take off cloth, to supplement the weaver, just like the sweepers take care of the sweeping, instead of having the machine tender do it, relieving the machine tender.

Several years ago at this mill I set up two sections of looms on what I think is a better way to operate it—a specialized sort of system. Some of my good friends call it the "stretch-out." A man has got more machines but works less. We had a situation of this kind—this seems to be a long, rambling way to answer the question, but I will come to it. We had more people than we knew what to do with. They wanted to work there. If a weaver could make a certain amount of money, being specialized, and a helper had to make a comparatively smaller amount, the thing we had to do was to see, and it was put up to me, through the overseers and superintendent, not by the help, but by them, to find out what amount of money we were willing to pay to run this weave room for 40 or 80 hours, and then we would try to keep more people at work. And, incidentally, I think they have got more than any place that I have seen what

I would call a "share the work" spirit. That is the background. I had to do that, however, to answer the question.

You asked me, as I understand it, why we, in so many words, are "dumb enough"—you didn't say that, but that is what it might sound like—dumb enough to go ahead like that. Our cloth was not costing us any more that way. We figured the amount of money we were willing to pay, talking about the weave room, in the weaving, to run those looms and make that many pounds of cloth. The help was satisfied and happy. They like the smaller job.

This mill is in a locality where it gets rather hot in the summer time. I feel for them myself, in wanting a smaller job. Now, we have had 315 in that plant, at so much money. If this wage goes up, that is going to change the thing, and we will not be able to do it just that way. We are going to have to change our methods. That is the reason why we have been willing to go along, because it didn't cost us any more to make a pound or a yard of cloth that way than the other way.

Q. I understand your explanation, but I still think you get the same result. You are paying a certain amount to have your work done. Your don't care whether two or three or four men do that job?

A. That is right.

Q. After this wage increase goes into effect, you still want that particular job turned out, whether by four or two or three men, so what is the difference?

A. Before, we could use four men for a certain amount of money. But when you put a 32½-cent wage on, we have to raise those wages, and we cannot keep four men. We will cut that down to three men. It is going to increase unemployment. That is, it will create unemployment.

Q. You stated in figuring the average wage you figured a similar wage throughout the entire personnel of the plant, commensurate with the amount of raise resulting from the Wage-Hour Act?

A. I didn't say anything about commensurate at all. I referred to, when the other gentleman asked me if I had anything figured on it, I said the figures I happened to have were based on maintaining differentials. I didn't say whether it would be in the same proportion or what proportion they would be in, but I meant in principle keeping the differential.

Q. Can you explain that a little more fully—do you mean that some of them would be raised a little bit and others would be raised a little bit more—just what do you mean by that?

A. Well, to be perfectly frank with you, we haven't gone far enough on that yet to tell exactly what we will do about it, but what my figures is based on is this, if you had a job like this, say you have got a fellow now making 25 cents; all right, he is working maybe in the room with somebody else who is making 30 cents. All right. Now, then, there is a five-cent differential right there. It used to be seven and a half cents when that fellow was working—say he was a sweeper or a cleaner or some outside yard Negro, back then he made 22½ cents under the Code, and now he is making 25 cents, and now he is working in the same room with somebody who is making 30 cents. The point that I am trying to get over is this—we have thought about that situation some, and we have given it some consideration, and have given it some thought, whether if the 32½-cent wage minimum does go into effect—the minimum wage of 32½ cents—the effect that it will have on the men, when all of this time one of the men has been recognized as a much higher skilled man than the other; and that is the reason that we have been paying him more for his serv-

ices; and the point I make is whether—in fact, I feel fairly strong that we ought to go and make some sort of a differential between the two. There is no question in my mind about that. It might be one cent an hour, or something like that, but I think that there should be some differential maintained.

Q. According to your understanding of the Act, do you understand that it requires you to raise these other men?

A. No sir, as I understand the Act, you can put watchmen and truck drivers and skilled employees and everybody else on 32½-cent basis, and they can either take the job or just leave it, as they see fit. That is my understanding of the law, but, of course, we wouldn't run a cotton mill that way, but that is my understanding of the Act.

Mr. HARRINGTON. You spoke of a freight differential.

Mr. TAYLOR. Mr. Administrator, will the gentleman who is speaking now please state his name and whom he represents?

Mr. HARRINGTON. My name is J. P. Harrington, and in this I am representing the National Cotton Manufacturers Institute, National Association of Cotton Manufacturers.

By Mr. HARRINGTON:

Q. You spoke of freight discriminations—what did you mean by that expression?

A. Well, Mr. Harrington, I meant just exactly what I said, and it was this—and the existing discriminatory freight rates—that was the wording that I used. Now, I simply meant that we—that this mill had gotten considerable handicap on account of the discriminatory freight rates. I will take, for instance, for argument's sake, I will take into consideration the supply parts coming in from the North to our mill, and let's consider

that, if nothing else. We have a tremendous handicap on freight rates on those supply parts.

Q. And what about cotton coming into your plant?

A. We buy local production; the most of it is.

Q. And your finished product going out; what about that?

A. It is higher than the North; our rates are higher than the North.

Q. To what territory?

A. To the North.

Q. All right, take St. Louis, for example; how does it compare over there?

A. Well, you might take an example of thirty miles from our plant—is that the point that you are trying to bring out?

Q. Yes.

A. Absolutely.

Q. There are mills in New England right close to New York City, isn't that correct?

A. Yes, sir.

Q. Within trucking distance of New York City?

A. Yes, sir. If we were shipping to a user, we will say, within one hundred miles from our plant, we would have some advantage there, of course, that is very obvious.

Q. Where do you make most of your shipments?

A. Where do we make our shipments?

Q. Yes; where do you make most of your shipments?

A. We try to make them, and I am trying to answer your question as you put it, which I hope you find agreeable, and I do not object in any way to answering your question—we try to go after the class of trade where we will dodge the handicap. We would be dumb if we didn't do that. If we know a competitor can put goods down with a 15-cent freight-rate differential, then, we say—we always go after the business where the quality

of the goods will count without freight rates being taken in, in cases of that kind.

Q. There is not very much cotton grown in New England?

A. No; not that I know of.

Q. And the mill in New England has to pay the freight charges on this cotton from the South?

A. Yes, sir; and he gets it cheaper than the Carolina mills.

Q. Your mills, I mean?

A. I said the Carolina mills.

Q. The combined cost of this cotton in and his cotton piece goods out, any New England mill, he couldn't approach your delivery cost, could he?

A. Yes, sir; he would be cheaper. You know this—you have very few mills in New England that are running cotton cloth today, anything like cotton sheeting, and I said that this was a cotton-sheeting plant. I am talking about a sheeting mill in the South, and you are talking to me about New England mills, and I know them; I have worked in them.

Q. Isn't it a fact that there is a sheeting mill at Lewiston, Maine?

A. Yes sir; wide sheets, bed sheets—I am talking about 36, 38, and 40-inch sheeting, that kind of stuff that we call sheeting.

Q. On that traffic to New York City, does he have any advantage over you?

A. Does he have any advantage over me?

Q. Yes?

A. From Lewiston, Maine, to New York City?

Q. Yes?

A. Yes.

Q. And his cotton in?

A. Yes, sir; I think so.

Q. Even with your cotton grown locally?

A. Yes, sir; and he can't use the cotton we use. We use a much lower grade cotton than he uses.

Q. And therefore, you can make no comparison between the two?

A. Well, that is just exactly what I was trying to say to you and trying to be polite about it with reference to the illustration that you were using.

Q. Now, how about the discrimination?

A. Sure, I will lay off of the things that you are bringing up, and I still have something else that I want to bring in, for instance, just let us take the supplies and things like that, things that are necessary for our mill. Our supply for this cotton mill in the South, supply parts, come from the same place that his does, I suppose—he was using Draper Looms, and I suppose that he still is, and I am sure that his supply parts come from the same place that ours do, and ours come from Holyoke, Massachusetts, for the Draper Looms, that is what we use, and just on that item alone, the difference is very great, and there is no question about that at all.

Q. Because of the nature of your commodity, your competition is not with New England, but with some mills probably further South than you are, isn't that correct?

A. In this mill that I am talking about, we don't worry about New England, to be honest with you, as much as some of the other country, but I am using that mill in my statement to illustrate what, in my judgment will happen to a great many Southern mills, and a great many will compete with the man that you are talking about now.

Q. And you are competing with mills further South than these South Carolina Mills; aren't you?

A. Some of them.

Q. And you have lower freight rates to New York City than they have; don't you?

A. I don't know how far you are talking about—if you go clear out into Texas, I imagine that we do have less rates; I imagine that they have higher rates than we do. I should think that they should have.

Q. But I am speaking about the mills in Alabama and Georgia—to reach New York City, they have to pay higher freight charges than you do; isn't that a fact?

A. Some of them do and some of them do not.

Q. Does that make any discrimination?

A. Discrimination just because they have to pay higher rates than we do?

Q. Yes?

A. I am talking about the Southern mills when I speak of discrimination on the freight-rate matter. I say that the freight rates in the South as a whole are discriminatory.

Q. But not applied to your textile mill in this particular instance?

A. What will you say about my supply parts and all of that, that you haven't gotten around yet? It is discriminatory; yes.

Mr. HARRINGTON. That is all.

M. P. ORR.

Direct Examination.

By Mr. Taylor:

Q. Will you please state your name and address for the record, Mr. Orr?

A. My name is M. P. Orr, and I reside at Anderson, South Carolina.

Q. What is your occupation, Mr. Orr?

A. Cotton manufacturer.

Q. Are you an officer in a mill?

A. Yes, sir, I am.

Q. What mill is that?

A. The Orr Cotton Mills.

Q. Where is that mill located?

A. Anderson, South Carolina.

Q. Do you have a statement that you wish to present to the Administrator at this time?

A. I have a very brief statement that I would like to make at this time. So much of this testimony has been repeating, that I won't take a great deal of time.

When the industry Committee began deliberating on the minimum wage to be recommended, it became evident that no less than 32½ cents would be named. We had a number of employees making less than this and thought it expedient to have the payroll affected as little as possible, so we began to re-arrange jobs to bring the hourly pay to 32½ cents per hour. This resulted in the elimination of 24 employees. When the minimum does become effective, if ever, we shall eliminate 15 more, certainly, and possibly 18.

The first elimination was a little over 3% and the second 2% should the minimum subsequently be raised, it is doubtful if the company can continue to operate except in very prosperous times.

In addition to the jobs actually eliminated, this minimum affects employees more seriously. In the past it has been

customary with Southern Mills to operate when the products could not be sold, thereby accumulating a large inventory. It was done to give employment to our operatives. This was done at a cost less than our Eastern competitors, due to their irksome labor relations, and could reasonably be liquidated at no great loss. But when costs are identical, we shall no longer be able to do this, and shall close the mills, letting the relief rolls carry the burden, just as our Eastern competitors do.

There has been a difference in cash wages paid in the East and the South. Because of this, it has been possible for Southern mills to furnish services that are no part of manufacturing, such as street lights, house rents at about ¼ cost, fuel at cost or below, living necessities at cost, community buildings, athletics, little theatre projects, churches, schools in rural communities and last, but not least money at no interest.

Q. Excuse me, Mr. Orr, but I want to ask you a question right at this point. In connection with that statement that you have just made, I wonder if you heard the testimony of Mr. Thomas the other day as to living conditions in mill villages?

A. I read it in the paper.

Q. That is all right, if you didn't hear it, go ahead with your statement, sir.

A. I didn't hear it. I can say this, however, from my own knowledge of people in our village, and that is that they live as well as they do anywhere else in town. They buy as fine food as they do in any other part of the community and they buy as good clothes, except their working clothes. About half of those families have automobiles, and all of the families have from one to three or more radios and electric refrigerators, and they live as well as the rest of us do. I can't answer it any further, I guess, as I just read his statement in the newspaper, though.

Q. All right, proceed with your statement, now.

A. Our company is affected less than the average, yet about 5% of employees are discharged. When multiplied by the number of mills the total number is very great. These employees, though not making 32½ cents, bought from mechants. These merchants will not need so many clerks and will certainly release some. The matter of wage and jobs is not confined to textile employees. The loss of textile jobs is augmented by less employment throughout the community.

Nor is the loss of jobs confined to makers of yarn and cloth. Already many in the waste sorting and kindered trades have lost their jobs. This has affected the price available for cotton waste. But when the minimum is increased from 25 to 32½ cents many of the waste manufacturers will quit entirely.

I have noticed in the papers that some North Carolina manufacturers have advocated this proposed minimum. Does it not seem extraordinary, that a handful out of many have this view? I do not definitely know as to the North Carolina Manufacturers, but do know that two mills in South Carolina are violently opposed to the proposed minimum, but will not testify for fear of reprisals because they have money borrowed from a government agency.

I see our country's flag prominently displayed, so am forced to conclude that this is neither Russia nor Germany. I don't know what I would have thought without that flag. May God and the voters preserve it!

Q. How many employees did you say that you have?

A. 750.

Q. And you are going to displace how many as the result of this minimum?

A. We have already displaced 24, and there will be 15 to 18 more,—that is about five per cent.

Q. About five per cent?

A. Yes, sir.

TESTIMONY OF M. P. ORR—(T. 1861)

The witness, a resident of Anderson, South Carolina, stated that he was an officer in the Orr Cotton Mills, Anderson, South Carolina. He testified on cross-examination as follows:

Cross-examination by Mr. NATHAN:

Q. According to your statement ,then, you don't anticipate that this will increase the wage rate with your company, or rather that this increased wage rate will cost your company anything extra by the pay roll?

A. Certainly, it will.

Q. Are you eliminating enough men to make up for the differential?

A. No, sir.

Q. On what basis have these 24 employees been discharged—how has that been worked out?

A. How do you mean—on what basis?

Q. You said that you redistributed the jobs and worked out employment in such a manner, so that 24 jobs are eliminated, or so that you will have 24 jobs less, is that correct?

A. It works like this—our minimum wage is 30 cents an hour except for cleaners and outside laborers, and for instance, if you pay a wage rate of 25 cents and you increase the wage rate to 32½, in order to do that, you will just have to cut out enough men to make up for that difference.

Q. And you will have to lay off fifteen more?

A. We know that we are going to lay off that many.

Q. And that is regardless of whether the minimum wage is set at 30 of 32½?

A. I haven't figured on the 30 cents at all.

Q. Have you any idea or opinion on that? Are you paying thirty cents now?

A. Yes, I told you a moment ago. We are paying 30 cents now, except to the cleaners and the outside labor.

Q. If the minimum stays at 30, do you have any opinion as to whether you would discharge these other fifteen employees or not?

A. No, I don't think there would be. I haven't looked at it with that in view, however.

Mr. NATHAN. That is all.

Mr. TAYLOR. That is all.

(Witness excused.)

TESTIMONY OF MRS. MARY PEARCE HAMILTON
(1862)

Said witness testified as follows:

My name is Mary Pearce Hamilton, daughter of Charles E. Pearce, Superintendent, Agent and General Manager of the Tallapoosa Mills, for whom I am testifying (1864) at this time. He is ill and has asked that I testify in his place. I worked for Tallapoosa Mills about 10 years and am familiar with every phase of the business. Mr. Pearce worked in various mills in Georgia and North Carolina and in 1907 organized and supervised the construction of the Tallapoosa Mills. He has been superintendent and manager ever since. We employ 300 people, most of whom are natives of that county and section. In 32 years we have never had any labor trouble, our people have been well satisfied and do not want to have to move or migrate elsewhere.

For the past 10 years the mill business has been bad—yarn market has not been high enough to give a sufficient spread between cotton and price of yarn. The mill has continued to operate at a loss hoping that conditions would improve and that they could continue to give employment to

these people. This is the only industry in the town and the whole community is dependent, to a large extent, upon the mill.

Several months ago when it became apparent that a higher minimum wage would be set, probably the 32½ cent rate, we made up comparative cost schedule and found that operating costs would be prohibitive at that scale. We then investigated thoroughly complete modernization and found that with an expenditure of approximately ¼ (1865) million dollars the mill still could not make a profit with 32½ cents minimum. The market on our type cotton yarns has been bad for some years, and with this in mind we investigated other lines, experimented with blended yarns, secured estimates on print cloth or broach cloths and kindred materials. We could find no product which would justify the expense necessary to equip machinery. Considering these facts and facing the 32½ cent minimum the directors of the company could see no way out of the predicament and they have voted to liquidate the property. Orders were given to run out the stock and close down the plant. The plight of our employees is desperate—they cannot get jobs elsewhere—we have given each employee a recommendation and have done everything possible to assist them to get work but there is no work to be had. Neighboring mills have more help now than they can use. The bulk of our 300 employees will be eventually on the WPA rolls. There is a road construction job not far away, and the unemployment office sent several of our able-bodied men employees over to work on that—they receive 20 cents per hour, out of which they must pay 50 cents per day transportation, which gives them a net earning of about 12 cents per hour. The work is much harder than their customary work in the mill. Also, peach orchard—11 cents per hour. (1866)

We have always complied with wage and hour laws, and have at all times paid the highest wage possible. We have tried to take care of our old employees, many of whom have been with us over 25 years. Our machinery has been kept up and is in excellent condition, although not completely modern. There is no complaint about the quality of our product. We have added new machinery in the finishing room and have made several improvements in the last few years. There is no reason why the mill should not continue to operate—it has not been mis-managed, and it has one of the lowest salary and overhead cost of any mill in that section.

The outstanding indebtedness has wiped out the value of the capital stock and those who have invested in the mill will lose their money.

That is a sad situation but the thing that worries us most is the problem of our employees. . . . .

509

TESTIMONY OF MARY PEARCE HAMILTON
(T. 1868)

The witness, whose father was the General Manager and Superintendent of the mill, stated that she was born in Tallapoosa and worked in the mill for ten years. She testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mrs. Hamilton, I am not quite sure that I understood you. Did you say that your mill has already closed down?

A. The Directors have voted to liquidate. The stock has been run out and the mill is now shut down.

Q. It is now shut down?

A. It is now shut down.

Q. When did the directors make this decision to liquidate?

A. I believe the date was May 18. I am not positively sure of that, but it was around that time.

Q. Do you know, Mrs. Hamilton, why the directors closed down or decided to close down the mill before waiting to see whether Mr. Andrews was going to approve the 32½ cent minimum or not?

A. Well, they knew that the 30-cent minimum would go in in any case, according to the law, and the preponderent evidence seemed to be that the 32½-cent minimum would go in immediately, and they could see no relief, and they could not continue running, so they decided to shut down now.

Q. Now, Mrs. Hamilton, I think you said your father was the General Manager and Superintendent of the mill?

A. Yes.

Q. Who owns the controlling interest in the mill, do you know?

A. The controlling interest is owned by William Whitman Company.

Q. Who is William Whitman Company?

A. They are primarily commission merchants.

Q. Textile commission merchants?

A. Yes; woolen and worsted, and they have various connections of that type.

Q. Where is their office?

A. Boston and New York.

Q. Boston and New York. Are they a large firm?

A. Yes, I believe so.

Q. Do you know for whom they act as commission merchants?

A. I do not. They own several mills of their own.

Q. In the North?

A. Yes, I believe so.

Q. They own mills in the North?

A. Yes.

Mr. ABT. I believe that is all.

By Mr. NATHAN:

Q. I would like to ask you one question. Do you know whether or not your Board of Directors would have taken the same action had the minimum wage been increased only to 30 cents?

A. I do not, but I don't believe they would have at this time anyway.

Q. And you think the plant could continue to operate at the 30-cent minimum?

A. Possibly; so much better than they could at 32½.

Q. Were you already losing money on the 25-cent minimum?

A. Yes.

Q. Had been losing money for ten years?

A. Yes; but not to the extent we have in recent years.

Q. How much longer do you think you could have continued to operate and lose money?

A. They would probably have put in a modernization program which would have helped to some extent had it not been for this wage situation.

Q. Is your plant in position to finance a quarter-million-dollar modernization program?

A. As a plant, it probably is not; no. I think the money possibly could have been obtained.

Mr. NATHAN. That is all.

Mr. TAYLOR. That is all. Thank you.

TESTIMONY OF R. O. ARNOLD—(1872)

Said witness testified as follows:

Well, I have a brief statement. I would like to refer particularly to some of the false statements that were made about living conditions in mill villages in the South, and also about the unbalancing of the economic situation of small communities by raising wages too high in the chief industry in these small communities.

The present minimum wage has not been fairly tested. The arbitrary establishment of a higher minimum for the cotton textile industry is unwise, unfair to employers, unfair to employees, unfair to the buying (1873) public and is economically unsound.

I have been engaged in the cotton textile industry for 20 years, and I have never seen the industry faced with as many difficulties as there are today. There have been times within my experience when there were merchandising opportunities; times when it seemed wise to risk some of your capital to buy commodities. But now government control and government meddling have killed the cotton market and have ruined the goods market. The highest taxes ever paid by industry are now a ruinous burden to any industry with a payroll. We don't mind paying a fair and reasonable income tax, but Social Security taxes, and unemployment taxes are paid out of our capital in times like these. Our mill has been operating about 2? months at a loss.

New Deal experiments have put a great number of our customers out of gainful occupations and on relief.

The income of the Southern farmer and of local workers in Southern communities is so low that they cannot buy goods they need so badly. And it seems a dire travesty that the very people who grow cotton cannot buy the garments made from the cotton they grow.

I would like to lay particular stress on the danger of further unbalancing, economically, agriculture and industry in the South. To raise higher the cost of (1874) manufactured goods at this time would be most unwise and most unfair to the workers in agriculture and in other lines in the South.

It is a well known fact that practically all our mill families came off the farm directly to the mills. Some mill families now have a monthly income of $300 or more. The average in our mill is more than $125 a month. These same families on the farm now could not earn $300 in a year's time. Many families on farms never handle as much as $500 cash in a lifetime.

The income of the average white collar family in our community is less than $100 per month, and this family pays about $25 per month for rent, lights and water, while the mill family pays about $5.

While our girls are making from $13 to $18 per week, clerks in the store with much longer hours make from $6 to $12. These mill workers and other types of hard and of common labor are being paid 12½ to 15 cents an hour, while our yard labor, with less ardous duties, is paid 25 cents an hour, with houses furnished at from $2 to $3 per month.

In some cases employers would find it necessary to increase wages all along the line in proportion with the minimum increase. Our goods are already too high for those who purchase them, and we are now selling far below (1875) the cost of production. In many cases it would mean the closing down of plants and throwing workers out on the world.

Again a further increase of the minimum wage will result in forcing out of employment all of those workers who are not 100 per cent efficient. That is the sad part of this thing, that in our plant we have quite a few old employees who have been there for years, and who can do a half way job now, but in order to compete with the most efficient mills, we could not continue to employ these people through sympathy.

Hundreds of small plants which are not able to finance new and labor saving machinery would be forced out of business, and thus of necessity workers thrown out of employment. Every time we raise the price of our products we lose our customers to the competitive fibers, paper, jute, rayon, flax, and so forth. We are continually losing our business to the importers of cheap cotton goods from Japan and other

countries, whose weekly wages are less than our daily wage. It seems to me the people responsible for our tariffs have entirely forgotten the farmers and the industrial workers of the South.

After I heard some of that testimony up here the other day, Mr. Andrews, which I was afraid was going to break your heart if you really believed it, I went back (1876) and made a small or quick survey in my village in order that I might give you something of the living conditions there. I think our village is probably an average village.

We have about 140 families in the village and about 300 jobs in the mill. As I said awhile ago, the average family earnings are more than $125 per month. I am told by the merchants of our town that the mill workers buy the best and the highest priced foods that they sell.

I have first hand knowledge of living conditions, that their houses are furnished as well as mine or yours. In the village, in the 140 families they own 173 automobiles. There is an electric refrigerator in practically every home, and at least one radio in every home. They wear the best of clothes, and their credit is the best risk the merchants in our little town have. Many of these people have credit ratings with the leading department stores in Atlanta.

Another thing that these people get down here is where we know our workers intimately, and look after their welfare, there are lots of ways they save money in their living conditions, and their necessary expenses that come to every family at some time or other.

About five years ago, the mill gave these employees $500 to start a hospital association, and since that time at a cost

of $19 in about five years to each member, they have sent 114 people to the hospital. Some of the (1877) bills ran higher than $500.

I don't know much about the technical part of operating a mill, but I have had my superintendent together with machinery salesmen work out a program as to how many more jobs we could cut out if this minimum is continually raised. I find that we can cut out 12 per cent of our employees, with a payroll saving of about $26,000 per year. . . .

TESTIMONY OF R. O. ARNOLD (T. 1878)

The witness stated that he was treasurer and general manager of the Covington Mills at Covington, Georgia. He testified on Cross-examination as follows:

Cross-examination by Mr. NATHAN:

Q. Mr. Arnold, what is your total pay roll per year?

A. It is about $250,000, approximately.

Q. So by installing those labor saving devices and new equipment you will cut down your pay roll about 10 per cent or a little better?

A. That is right.

Q. What will be the increase in your pay roll if the minimum wage is raised from 30 to 32½?

A. The 32½-cent rate would not affect us materially, except that we would have to raise our cleaners, sweepers, and yard employees. It would possibly amount to maybe $100 a week.

Q. $5,000 a year?

A. Yes, sir.

Q. So then you would put 40 or 50 people out of work so that you could save your company $20,000 a year. That would be the result of the 32½-cent minimum on your company?

A. You don't think this gang is going to stop at 32½, do you?

Q. Well, that is all we are talking about today.

A. I am looking a little ahead. I have had seven years' experience with this stuff now.

Q. In other words, you are opposing this present minimum because you think it may go to 40, not because you think 32½ is so bad?

A. Well, I think the 30 cents is high enough now, and always, until conditions get better in America.

Q. You say you are not going to put in this equipment though until after the election?

A. No, sir.

Q. On what basis will you put in the equipment, if the Democrats are elected or if the Republicans are elected?

A. No; if we elect somebody that is not communistic and radical.

Mr. NATHAN. I than you.

(Witness excused.)

TESTIMONY OF A. B. RIVERS (T. 1887)

The witness, a resident of Anderson, South Carolina, stated that he was a manufacturer of bagging and ties for covering cotton. He testified on cross-examination as follows:

Cross-examination by Mr. SCHLEZINGER:

Q. Do you contemplate closing your mill in the event the 32½-cent recommendation is disapproved and the 30-cent minimum goes into effect in October?

A. What is that?

Q. Do you contemplate closing your mill in the event the 32½-cent minimum recommendation is disapproved, when the 30-cent minimum goes into effect in October?

A. Well, anything under 32½ would be better.

Q. What are your present intentions?

A. My intentions now, if it is 32½ cents, is to close.

Q. And if it is 30 cents, what is your intention?

A. Well, I haven't made any decision on that.

Q. And you stated you were losing money today on the 25-cent minimum?

A. I said that we was not making anything.

Q. I see. You also stated that prior to last October 24, you were paying an average wage of 15 cents an hour in your plant?

A. Yes, sir.

Mr. SCHLEZINGER. That is all.

Mr. TAYLOR. That is all.

(Witness excused.)

TESTIMONY OF DAVIS STOKES (T. 1891)

The witness stated that he was agent and vice-president of the Banning Mills, Banning, Georgia. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. What do you make in your mill?

A. Cotton tire fabrics mainly, and some novelty yarns.

Q. To whom do you sell your tire fabrics?

A. We sell our tire fabrics to the major rubber companies.

Q. In Akron?

A. Yes, sir.

Q. Who owns the controlling interest in your mill?

A. Mr. Poncet Davis of Akron, Ohio.

Q. Is he engaged in any other business?

A. He is selling agent for several other mills.

Q. Does he own interests in the other mills, for which he is selling agent?

A. No, sir.

Q. Do those other mills also manufacture tire fabrics?

A. No, sir.

Q. In the event, Mr. Stokes, that your mill should determine to liquidate, would the tire-fabric business or the tire-fabric products which you now manufacture be manufactured by somebody else?

A. Well, I presume so, if we should liquidate.

Q. And the business you are now doing would go to one of your competitors?

A. Yes, sir.

Mr. ABT. That is all.

(Witness excused.)

TESTIMONY OF W. RAY BELL (T. 1910)

The witness stated that he was president of The Association of Cotton Textile Merchants of New York. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mr. Bell, I think you said, did you not, that the principal source of Japanese competition is in the bleached goods?

A. Yes, sir.

Q. And the quota agreement between the Japanese and the American manufactures is limited to bleached goods, is it?

A. Yes, sir; no, sir; not on bleached goods, but on countable cloths, which includes bleached and unbleached and printed and dyed and colored.

Q. It is in that area that the principal source of competition from the Japanese occurs?

A. Yes, sir.

Q. What is the quota under that agreement?

A. It is 100,000,000 yards a year for two years and with a provision of not over 120,000,000, I think, in this year, 1939; it was reduced. It was originally 255,000,000 yards for the two years, of 1937 and 1938, and when

10331

it was re-enacted, it was reduced to 200,000,000 total for the two years, 1939 and 1940.

Q. Now, I think you said that in 1938 the Japanese imports of bleached goods amounted to approximately 18,000,000 yards, is that correct?

A. I think it was more—just a moment, and I will check it. That is bleached cloths that you asked for?

Q. Yes.

A. 28,805,000 yards in 1938, imports for consumption of bleached cloth.

Q. That would be about 12 percent of the total domestic consumption, would it not? That is, considering that there were about 250,000,000 yards total?

A. That would be just about right.

Q. And that was far below the Japanese quota, wasn't it?

A. Yes, sir.

Q. During 1939, do you know what the figures on the Japanese imports are?

A. I only have the figures for the first four months; in the first four months, the total is 20,396,000 square yards, and as I said, we only have the figures for those four months.

Q. Do you anticipate the imports for 1939 will reach the quota for that year?

A. I don't think so.

Q. Now, I think you said in 1937, the imports from Japan were 89,000,000 yards?

A. That is of the bleached goods again, just, alone.

Q. Right.

A. You realize that there was no—that the quota agreement was only made on the piece-goods, and all of these other things, such as sheets and pillow-cases and towels and tapestries and corduroys and velveteens are not included in this quota.

Q. But bleached goods is by far the major source of competition?

A. Yes, sir.

Q. In 1937, about 30 percent of the American consumption would be Japanese imports; is that correct?

A. Yes, sir; more than that. If the 250,000,000 yards is correct—that is a market figure that has been given by people in that competitive section, and I can't swear to that figure as being correct.

Q. You regard Japanese imports as a disturbing factor on the domestic price of bleached goods in 1939?

A. Yes, sir.

There have been representations made to the United States Tariff Commission by important firms in the bleached goods business, and, in fact, the most of these prices and quotations came from them.

Q. How did the prices of bleached goods in 1937 compare with bleached goods prices this year, Mr. Bell—were they better or worse?

A. They were a good deal better during most of 1937, of course.

Q. Do you recall any competitive figures, offhand?

A. I don't believe I could on these British goods; I could recall the gray goods prices and the bleached goods follow pretty closely along there.

Q. Well, that is not important. Notwithstanding in 1937 that the Japanese imports were over 30 percent—we have got the percentage of 12 percent for 1938—the bleached goods prices for 1937 were above those in 1938, isn't that correct?

A. Correct. The Japanese prices were higher, too. Yes, they were higher, and they were higher—they were considerably—I am talking about this——

Q. You are speaking now of Japanese prices, in Japan; is that what you mean?

A. No; the valuations here before assessment of duties—they were much higher in the early part of 1938; they went up on an average. That is not a good figure because it is just taking the total square yards brought in and the total valuation and getting an average price, but you notice here that that was five cents a square yard in February and 5.11 in March, whereas I have already given you this year at 3.68.

Q. Wouldn't it be true that quotations on Japanese imports in 1937 would be higher, for 1938, at least, in part, because of the fact that the domestic price in 1937 was higher than the domestic price in 1938?

A. They should be, but the average I have got here for the whole year of 1937 is only 4.80, which was lower than in the early part of 1938.

Q. Now, coming back to the point that I was getting at previously. If it is true that notwithstanding the fact that Japanese imports almost tripled in 1937, what they were in 1938, that, nevertheless, domestic prices were better in 1937 than they were in 1938, then, although Japanese competition may be a factor, it can't be the sole or determining factor of the domestic bleached prices?

A. I think that we feel the impact of such competition more in depression periods than in periods of a boom.

Q. Now, turning for a moment to the Reciprocal Trade Agreement with Great Britain. Assuming that imports from Great Britain developed under that Reciprocal Trade Agreement, Mr. Bell, in what line of cotton textiles would you anticipate such a development?

A. That would more likely be in the higher-priced brackets.

Q. In the fine goods?

A. Yes, sir; one thing I have noticed with regard to the trade with Great Britain is that their linen business

has increased in the first four months of this year, it has increased about 75 percent over the same period of last year. While that is a little bit remotely competitive with cotton, in fields like towels, tablecloths, and napkins, and even in some dress-goods, it is competitive.

Q. Would it be correct, then, to say that to the extent of the effect of the British Trade Agreement being felt, that it would be felt by the finer-goods industry?

A. Yes, sir; the higher-priced goods.

Q. Where are the textile mills located that manufacture goods of that character in this country?

A. They are more largely concentrated in the East than they are anywhere else, but you find them all over; you find them in South Carolina, and in North Carolina, too.

Q. By the East, do you mean the Northeast?

A. New England.

Q. To a much greater degree than in the South?

A. Oh, yes.

Q. Now, coming back again to the Japanese question—you stated that Japanese competition was a disturbing factor in the price in the bleached-goods line, I believe?

A. Yes, sir.

Q. And I gathered from your testimony that at least one, if not the dominant reason for such competition, or for the effect of such competition, is the fact of the existence of a very low wage scale in Japan?

A. That is correct.

Q. Now, let's go outside of the bleached cloth field for a moment, and talk about print cloth, where I take it there is very little, if any Japanese competition?

A. Print cloth?

Q. Yes?

A. That is where all of the Japanese competition is.

Q. Well, let's take the carded yarns?

A. I would prefer not to argue with you about carded yarns, because I haven't been in touch with the carded yarns business in some time; it was only when I was with the Textile Institute that I monkeyed with them.

Q. Can you talk about sheeting?

A. Yes, sir; I can talk about sheeting with you.

Q. Is there any substantial Japanese competition for sheeting?

A. I don't know—you are talking about narrow sheeting, I presume? We have a division in the market, we have the narrow sheeting and the wide sheeting, and I suppose that you mean the narrow sheeting, now?

Q. Yes, sir.

A. I don't recall any particularly heavy importations that would—talking about the Japanese, it is competition in the finished goods, whereas the mills here are gray goods.

Q. I am getting away from that for the moment. So, let's get back to sheeting, now?

A. All right.

Q. Wouldn't you say in the case of sheeting that the effect on price or competition from low-wage mills, manufacturing sheeting in this country, would be at least analogous to the effect on price of Japanese competition in the bleached goods branch?

A. No; I don't think so.

Q. Why not?

A. Because, in the first place, the mills in this country, they are all American institutions, and they all employ their help—the wages paid and everything goes to the people residing in this country, and supports those people.

Q. Let me see if we are talking about the same thing. I am not talking about the effect on the American economy as a whole, but I am talking only about price and the net effect on the market.

A. Oh, you are talking about only price and the net effect on the market?

Q. That is right.

A. Well, you don't always find the low-wage mills will quote the lowest prices.

Q. Well, to the extent that you do find it?

A. In other words, costs don't necessarily mean a direct reflection in the price.

Q. If I understood you correctly, quite cautiously, you said you don't always find low prices from low-wage mills.

A. Yes.

Q. It is also true, isn't it, Mr. Bell, that you do find low prices from low-wage mills?

A. We find low prices from all kinds of mills nowadays.

Q. And is it not true, Mr. Bell, that because of competitive pressure of threats to capture a larger share of the market, there is a pressure on wages to which mill operatives often yield for the purpose of reducing prices?

A. I will get you to repeat that question. I want to get it straight.

Q. I am not sure I can repeat it in the way I said it first.

A. All right; just so I can get the sense of it.

Q. Wouldn't you say that there is a pressure on mill operators because of the competitive conditions which exist in the industry, first to lower prices, and in order to do that to reduce wages?

A. I think that there is, when you are in an era or period of low prices, I think there is a pressure on mills of all kinds to reduce their cost. Now, whether it goes down to the question of wages, I am not prepared to say.

Q. You are not prepared to say?

A. No.

Mr. ABT. Thank you.

Administrator ANDREWS. Are there any other questions?

By Mr. PITTS:

Q. Have you made any calculations, Mr. Bell, as to the effect of the 32½ cent minimum if established?

A. I have not.

Q. Upon prices. Do you believe it will cause any significant increase that will result as the result of the establishment of that?

A. Any significant increase in what?

Q. In prices of the goods or textiles as a result of the establishment of the 32½ cent minimum?

A. I think I said in my statement that—let's see if I can find it. This is my viewpoint on that, my considered viewpoint, that the proposed increase by itself would heighten the prospects of a return to profitable operations is extremely doubtful, because of the variation that the increase would make in the different mills all over the country, I mean even in the same group. One mill might have no increase at all, and he might not be forced by necessity or anything else to increase his asking price, whereas the other mill may have to increase it.

Q. Is your name Bell or Raybell?

A. My first name is Ray, my last name is Bell.

Q. Mr. Bell, from your experience in this field, could you say whether sales increase in volume when prices increase, or whether there is any relationship between those two?

A. Sales increase in volume when prices are on the rise, usually, that is, under natural rising conditions.

Q. Is there some evidence that prices are increasing at the present time?

A. Well, they have increased since the end of May, or the first of June. These tables of mill margins show not only prices increased slightly, but that mill margins have had a small increase, but they are still away behind what they were last October.

Mr. PITTS. Thank you.

By Mr. NATHAN:

Q. You were complaining, Mr. Bell, about the fact——

A. I wasn't complaining. I was hot.

Q. About the fact that the sugar bags, salt bags, and flour bags, and I suppose other similar products, are now being taken away by the paper business?

A. They are making considerable inroads, yes, sir.

Q. That started in 1937, I believe?

A. I think it was the Fall of 1937 when it started down in Savannah, Georgia, on the sugar bags.

Q. That was before we had any Wage-Hour Law, wasn't it?

A. Oh, yes.

Q. You understand, of course, that the prices of cotton do not in themselves affect this market?

A. Pardon?

Q. Let me withdraw that question.

A. The price of cotton doesn't affect the market?

Q. I say the price of cotton by itself does not control the competitive position of that market, but rather the users of the bags, sugar, salt, and flour bags, also take into consideration the fact that they have additional expenses involved in using the cloth bag that they do not have when they use the paper bag?

A. Listen, are you going to undermine our market down here now?

Q. I will just ask you to answer that question.

A. I think the single greatest effect that has prompted the paper—in the first place there has been some

technological improvement in the paper package. About the most important thing I have been able to find concerning the consumer response to it, because these are usually five pound bags, put up for consumer purchase, the one- or two-pound packages were taken away by cardboard many years ago, but in this five-pound package all of the response I got is the fact that it is cheaper than the cotton bag.

The retail stores sell it at about one cent for the five-pound bag cheaper than the package in the cotton bag. If your question is whether a one-eighth cent difference in the cotton cloth would affect the market, probably not.

MR. PITTS. Just a single question.

By MR. PITTS:

Q. Where is this paper that competes with cotton made?

A. Where is it made?

Q. Yes, sir.

A. Well, it is my understanding that the first people to come out and put up sugar in paper bags and sell it lower than the price of sugar in cotton bags was in Savannah.

Q. The source of the paper was what?

A. The Union Bag & Paper Company, I think.